SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly of Saskatchewan

2005 Report
Volume 1

Provincial Auditor Saskatchewan

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

SASKATCHEWAN

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May 24, 2005

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2005 Report – Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Our 2005 Reports

In 2005, our Office issued two other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our web site at:
  http://www.auditor.sk.ca/
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  1500 Chateau Tower
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Our Reports:

- *Report to the Legislative Assembly of Saskatchewan on the 2004 Financial Statements of CIC Crown Corporations and Related Entities: April 2005*
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2004 Calendar Year: April 2005*

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Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information that government agencies give to the Legislative Assembly.

The Government delivers its services through nearly 300 agencies. These agencies include departments, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers mainly agencies with December 31, 2004 year-ends. Our 2005 Report – Volume 3 will cover mainly agencies with March 31, 2005 year-ends.

For the most part, the nearly 150 agencies covered by this report have adequate practices to manage risks to public resources. That is, the agencies have sound practices to safeguard public resources and have complied with the laws governing their operations. Also, most agencies published reliable financial statements. However, serious problems exist at some agencies. The Government needs to fix these problems.

Also, many government agencies continue to improve their public accountability. Later in this chapter, I highlight examples of significant progress.

Part A of this chapter highlights issues concerning risk management and accountability for several government agencies covered in this report. Part B presents the main points for each chapter of this report to provide an overall summary of the report.

Risk management

My Office continues to focus on how government agencies manage risks related to the key forces and trends that affect them. Managing these risks is critical to effective government services and the ability to pay for those services. The key forces and trends affecting the Government include population change, advancing technologies, economic constraints, globalization, and pressures on the environment.

Government agencies that are managed well have good governance practices. They have a clear plan of what they want to do, they identify risks that may prevent them from carrying out their plan, and they develop strategies to reduce their risks. They also monitor their progress in achieving their plans.

In addition, well-managed agencies tell legislators and the public what they plan to do and how much it should cost. They then report what they actually did and what they spent. Having to answer for what they actually did compared to what they planned to do improves how government agencies manage public resources.

The public sector continues to experience pressure from key forces. I highlight some of my Office's work related to pressures from population change, infrastructure, and economic constraints.

Population change

Saskatchewan faces a potential shortage of skilled workers. This is a risk for the Government and for the economy as a whole. This year, we continued our focus on human resource plans.

Public sector agencies need sound human resource plans. Human resource planning helps to ensure agencies have the right people with the right skills at the right times.

Chapter 2—Public Service Commission describes how well the Commission leads the human resource planning practices of all government departments. Departments employ about 10,000 people who provide many essential public services.

The Commission needs a more formal process to identify human resource risks for the public service. It should also clarify human resource priorities for departments.

Infrastructure

The Government has more than $9 billion in infrastructure (e.g., roads, dams, gas lines, and power plants). To provide public services, the Government spends significant sums of money annually on infrastructure. The Government must not only spend money to buy or build infrastructure, it must also maintain and operate the infrastructure.

Chapter 3—Saskatchewan Watershed Authority reports on the adequacy of the Authority's practices for ensuring the safety of its dams. The Authority has dams and water work channels worth about $1.4 billion. The largest dams are Gardiner, Qu'Appelle River, Rafferty, and Alameda. A failure of one of these dams would have major consequences. The Authority needs good maintenance practices to prevent a failure. As well, it needs good emergency practices to react to a dam failure.

The Authority should align its practices more closely to those expected by the Canadian Dam Association. For example, it needs to have current and tested emergency-preparedness plans in the event of a dam failure.

Economic constraints

The demand for public services continues along with the demand for lower taxes. Good governance and supervisory practices help agencies respond to these opposing pressures.

Many of our findings in this report relate to poor or improper use of public resources when agencies do not carry out their duties effectively. For example:

- some agencies have good written practices for safeguarding public resources but staff do not always follow them
- other agencies need to improve their written practices to better safeguard public resources

Chapter 4—Health reports on the Department's practices for managing the Saskatchewan Prescription Drug Plan. The Department's drug costs were more than $150 million dollars for the year ended March 31, 2004. Drug costs have doubled between 1999 and 2004.

The Department has good practices for managing the risks to achieving its objectives for the Drug Plan. However, the Department needs to monitor and evaluate drug use in the population. As well, it should publish more information on the performance of the Drug Plan. The Department is improving its practices to monitor the quantity and relevance of drugs used by individuals.

Chapter 5—Justice reports on the Department's practices to reduce the risk of financial loss or inequities to pension plan members. The Superintendent of Pensions regulates nearly 400 pension plans with assets worth $14.5 billion.

To better protect pension plan members, the Department should focus its work on those areas that present the greatest risk to the members.

Chapter 6—Community Resources and Employment reports that an employee misused public money resulting in a loss of about $1 million. The Department did not ensure that employees followed approved written practices for paying social assistance to clients. Also, the Department needed to better control its employees' access to its computer system that makes payments to clients. We have voiced the same concerns with the Departments practices in past reports.

The Department has a plan to improve employee compliance with approved practices. The Department is making progress implementing the plan.

Chapter 7—Environment reports that an employee misused public money resulting in a loss and possible loss of about $500,000. The Department did not ensure employees followed approved written practices for paying suppliers for goods and services. In past reports, we have reported on the need for the Department to improve its supervisory practices over the payments to suppliers.

Also, the Department's internal audit function had not identified employees' non-compliance with established practices as a problem for senior management. We have reported in the past that senior management should approve a work plan for the internal auditor that deals with the Department's most important risks.

Chapter 8—Government Relations and Aboriginal Affairs reports that the Department is not doing enough to know that public money that it pays to the First Nations Trust and four community development corporations is used for its intended purpose. The Department paid $38 million to these agencies for the 18 months ended September 30, 2004.

The Department has reasonable written practices for ensuring that the money it gives to these agencies is used for its intended purpose. However, employees are not following the Department's written practices.

Government accountability

My Office continues to focus on improving the Government's accountability to the Legislative Assembly. The ability of the Assembly to hold the Government accountable is key to good government.

This year, we continued our focus on the performance reports of government agencies as well as on the transparency and authority for senior management pay and expenses.

Chapter 12—Crown Investments Corporation of Saskatchewan reports our assessment of the quality of the annual reports of four Saskatchewan Crown corporations compared to Crown corporations in other provinces.

These Saskatchewan Crown corporations' reports compare favourably with reports in other provinces. We will continue to monitor how agencies improve their annual reports.

Chapter 11—Workers Compensation Board reports that management did not file their employment contracts with the Clerk of the Executive Council as required by *The Crown Employment Contracts Act*. Filing the contracts would improve the Board's transparency.

Acknowledgement

My Office accomplishes its work through the dedicated efforts of our staff. The knowledge and commitment of our staff make this report possible. A list of staff is set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Boechler, Danielle
Bell, Kelli
Bernath, Eric
Boechler, Danielle
Borys, Angèle
Clemett, Tara
Dayman, Michelle
Deis, Kelly
Dickin, Deann
Drotar, Charlene
Dulle, Leanne
Duran, Jason
Emond, Candice
Ferguson, Judy
Grabarczyk, Rod
Grunert, Cherie
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hoang, Lysa
Hungle, Angie
Kahovec, Steven
Knox, Jane
Kosolofski, Curtis
Kress, Jeff
L'Heureux, Desireé
Lahti, Kami
Lindenbach, Michelle
Lowe, Kim
Martens, Andrew
Montgomery, Ed
Mowat, Audra
Nyhus, Glen
O'Quinn, Carolyn
Pritchard, Brent
Ross, Chantara
Rybchuk, Corrine
Schell, Doug
Schiller, Rita
Schwab, Amy
Schwab, Victor
Shaw, Jason
Shorten, Karen
Sommerfeld, Regan
St. John, Trevor
Thomson, Nathan
Thorson, Angela
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Wandy, Jason
Watkins, Dawn
Wendel, Leslie
Zerr, Jennifer

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Chapter 2—Public Service Commission

Effective human resource planning helps the Government meet its strategic goals. The Public Service Commission is responsible for oversight, strategic direction, and coordination of human resource planning across all departments. In this chapter, we report on whether the Commission has adequate processes to lead human resource planning across departments.

To lead human resource planning, we expected that the Commission would:

- guide human resource planning
- manage human resource risks across departments
- analyze department human resource planning
- build capacity for human resource planning within departments

As of October 31, 2004, the Commission had adequate processes to lead human resource planning with two exceptions.

First, departments need clear human resource priorities to help them decide what is critical to their human resource planning and what to do first. We recommend that the Commission identify and communicate to departments a manageable number of human resource priorities.

Second, the Commission has substantial information about human resource risks, but does not have a formal process to analyze these risks. We recommend the Commission use a risk management framework to identify and analyze human resource risks and help it decide what levels of risk it can accept in order to achieve desired results.

Chapter 3—Saskatchewan Watershed Authority

Saskatchewan Watershed Authority operates, maintains, and inspects Saskatchewan's dams and related water work channels worth an estimated $1.37 billion. A significant number of Saskatchewan residents rely on these dams to provide stable water supply for municipal and industrial use, irrigation, hydroelectric power generation, and recreation opportunities, and to protect downstream communities from flooding.

Over half of Authority's dams are more than 35 years old. Like all infrastructure, dams require continuous investment to ensure their ongoing safety and their ability to meet expected service needs. Inadequate investment of time and resources could significantly increase risks to public safety.

Saskatchewan's four largest dams are Gardiner, Qu'Appelle River, Rafferty, and Alameda. These dams would have major consequences downstream if they failed. This makes it critical for the Authority to have strong processes to keep these dams safe.

This chapter reports that while the Authority had adequate processes in many areas to keep these dams safe, it needs to make improvements in four areas. First, it should obtain independent comprehensive dam safety reviews on it four largest dams at least every five years. Second, it must have up-to-date tested emergency preparedness plans for each dam. Third, it needs a process to ensure it keeps all of its key manuals current and complete. And fourth, it should set long-term targets to better monitor the effectiveness of its dam safety activities.

Chapter 4—Health

The Department of Health spends more than $150 million per year on the Saskatchewan Prescription Drug Plan (Drug Plan).

In this chapter, we report on the adequacy of the Department's processes to monitor the quality and relevance of drug use and to report on the Drug Plan's performance.

The Department should do more analysis to monitor the quantity and relevance of drug use in the population. This analysis would allow the Department to determine the success of specific program efforts. It would also allow it to focus resources to encourage appropriate and economical prescribing practices.

The Department has a Drug Plan claims database with a wealth of information that can provide valuable insights. Currently, the Department is improving its processes to monitor the quantity and relevance of drug use at an individual level. The planned improvements to this system will serve to strengthen this process in the future.

The Department's public reports need to show whether the Drug Plan is achieving its purposes.

Chapter 5—Justice

Under *The Pension Benefits Act, 1992*, the Superintendent of Pensions regulates and supervises pension plans in Saskatchewan. The Superintendent does so to reduce the risk of financial loss or inequities to pension plan members.

In 2004, we assessed the adequacy of the processes the Superintendent of Pensions used to supervise pension plans. We found that the Superintendent had adequate processes except as reflected in our following four recommendations. We recommend that the Superintendent:

- expand its analysis of pension plan risks to consider the key risks faced by all pension plans
- prepare a risk-based work plan to supervise pension plans
- provide staff with written guidance regarding information to document when registering and amending pension plans
- develop alternative ways to obtain information from pension plan administrators or seek legislative changes to expand its enforcement powers to obtain required information

Chapter 6—Community Resources and Employment

In December 2004, officials of the Department of Community Resources and Employment (DCRE) informed our Office that they had become aware of a possible misuse of public money by an employee resulting in a loss to the Crown.

We investigated this matter to determine the amount of the loss and identify the conditions that allowed the loss of public money to occur and remain undetected.

DCRE incurred a loss of public money of about $1 million. We concluded that DCRE needs to:

- properly segregate the duties of its employees
- provide effective direction of employees

- properly oversee operations
- use sound employee hiring practices

We make several recommendations for DCRE to help improve its processes to safeguard public money. DCRE is taking steps to improve its processes. In May 2004, it prepared a Quality Improvement Plan to improve its processes to ensure that only eligible clients receive the correct amount of assistance. As well, it is currently reviewing all established processes for social assistance payments. The purpose of the review is to strengthen processes to reduce the risk of future misuse of public money.

Chapter 7—Environment

In December 2004, the Department of Environment (Environment) told us that an employee used public money in a way that may have resulted in a loss to the Crown. *The Provincial Auditor Act* requires us to investigate and report to the Legislative Assembly any losses to the Crown. In this chapter, we report the objectives of our investigation, our findings, and conclusions.

We report that for the period from April 1, 1998 to December 31, 2004 Environment incurred a loss of public money and a possible loss of public money totalling $500,000. Environment incurred a loss of public money of at least $260,000 and a possible additional loss of about $240,000. It was not practical for our office to verify the payments totalling $240,000. Most of these transactions related to the branch of Environment where the employee had worked for many years.

While we have completed our work to fulfill our responsibilities to the Legislative Assembly, Environment continues its investigation. Also, we understand a police investigation is ongoing independent of our work.

We concluded that Environment needs to:

- properly segregate the duties of its employees
- provide effective direction to employees
- properly oversee operations
- assess and reduce the risk of loss of public money by employees in positions of trust

We make five new recommendations for Environment to help improve its safeguarding of public money. We also continue to make three previous recommendations that Environment has not fully addressed.

Chapter 8—Government Relations and Aboriginal Affairs

When Cabinet disestablished the Department of Government Relations and Aboriginal Affairs (Department) effective October 1, 2004, it continued the programs of the Department under two new departments—the Department of Government Relations (Government Relations) and the Department of First Nations and Métis Relations (First Nations and Métis Relations).

While this chapter notes some progress, it reports our continued concerns in the following two areas.

First, the Department was not doing enough to monitor spending by certain First Nations organizations (i.e., First Nations Trust and community development corporations). Each year under an agreement that the Department has with the Federation of Saskatchewan Indian Nations, it provides these organizations with significant public money (e.g., over $23 million in 2003-04). Under the agreement, these organizations must use this money for social, cultural, economic, or other charitable purposes for First Nations people.

First Nations and Métis Relations has assumed responsibility of this arrangement. First Nations and Métis Relations must use its processes to monitor the spending of these organizations. In addition, it must ensure timely corrective action is taken in instances where these organizations do not spend the money as required by law.

Second, the Department needed to make further progress on its supervision of one of its special purpose funds—the Northern Revenue Sharing Trust Account (Account). It used this Account to pay for the services it delivers to communities in the Northern Saskatchewan Administration District.

Government Relations has assumed responsibility for the Account. Government Relations has made limited progress in addressing our previous recommendations to better supervise the operations of the

Account. In addition, Government Relations must improve controls over the Account's purchasing of goods and services through charge accounts and its security of information systems.

Chapter 9—Learning—Accountability of school boards

The complexity of accountability relationships in the education sector makes it difficult to understand who is responsible to whom and for what. The Saskatchewan Minister of Learning is accountable to the Assembly for the overall quality of pre-Kindergarten to Grade 12 education in Saskatchewan and its cost. Locally-elected school boards are responsible for helping to deliver that education. School boards are accountable to the Minister but also to their local electorates.

Our Office has recommended that the Department of Learning provide legislators with a clear description of the accountability relationships between the Department and key provincial educational agencies, including school boards. Accountability that is clearly described helps delineate key roles and responsibilities. The importance of education and its cost reinforce the need for clear accountability relationships.

This chapter highlights the relationships between school boards and governments in six provinces. It describes common issues and identifies alternate approaches to school board accountability. It focuses on relationships in five key areas: curriculum, student achievement, teacher certification, facilities, and paying for education.

As the stakeholders in the Saskatchewan education system consider changes to accountability, we encourage those involved to ensure that accountability for education is clear and transparent. Also, we encourage the Government to ensure that Saskatchewan's legislation provides a solid foundation for the accountability to make it sustainable over time.

Chapter 10—Industry and Resources

The Department of Industry and Resources faces many strategic risks that could influence its ability to meet its objectives.

We assessed the adequacy of the Department's planning processes as of December 31, 2004 to identify strategic risks to achieving its objectives.

Overall, the Department had adequate planning processes to identify strategic risks except as reflected in our recommendations.

We recommend the Department improve its processes to identify strategic risks and in particular:

- use systematic processes to detect risks to all of its objectives
- quantify the likelihood and impact of strategic risks to identify priorities

Strengthening the Department's processes to identify strategic risks would help the Department take timely action to manage its most important risks. It would also help the Department to take full advantage of opportunities.

Chapter 11—Workers' Compensation Board

This chapter reports the results of our audits of the Workers' Compensation Board (WCB) and the Workers' Compensation Board Superannuation Plan (WCB Plan).

We report that the WCB has addressed our past recommendations to administer injured workers' claims except for receiving timely injury reports from employers, and approving an adequate plan for its internal auditor. The WCB continues to make progress to address these issues. The President and employees directly reporting to the President did not file their employment contracts with the Clerk of the Executive Council as required under *The Crown Employment Contracts Act*.

We also report that both the WCB and the WCB Plan did not verify that all of their investments comply with the laws and their investment objectives.

The WCB Plan has not acted on our 2003 recommendations to improve its governance processes. Effective January 1, 2005, the Workers' Compensation Board is responsible to administer the WCB Plan.

Chapter 12—Crown Investments Corporation of Saskatchewan

In this chapter, we report the results of the audits of Crown Investments Corporation of Saskatchewan (CIC) and the Capital Pension Plan (Plan) for the year ended December 31, 2004.

We concluded that the financial statements of CIC and the Plan are reliable. CIC complied with the authorities governing its activities and had adequate processes to safeguard public resources.

The Plan complied with the authorities governing its activities. It had adequate processes to safeguard public resources except the Plan needs to improve its governance processes.

We reviewed the 2003 annual reports of four large CIC Crown corporations. They compare well against Crowns in most other Canadian jurisdictions, although the reports of Crowns in a few other jurisdictions are more advanced in some areas. We encourage Saskatchewan's CIC Crown corporations to continue to improve their performance reports using the CCAF's reporting principles as guidance.

Chapter 13—Saskatchewan Telecommunications Holding Corporation

Saskatchewan Telecommunications Holding Corporation (SaskTel) is one of Saskatchewan's major Crown corporations. At December 31, 2004, SaskTel had assets of over $1,200 million, revenues over $900 million, and net income of $94.5 million.

SaskTel operates its business through many separate companies. Each of SaskTel's companies has its own board. To ensure SaskTel's success, it is critical these companies have a clear understanding who is responsible to whom and for what. In addition, it is important that SaskTel have sound processes to direct and manage each of these companies so that they fulfill their mandate and make good use of public resources – that is SaskTel must have good governance.

In 2004, we reported how well SaskTel governed its companies and made recommendations for improvement. In this chapter, we highlight progress SaskTel has made towards those two recommendations. SaskTel is improving its processes to communicate its governance expectations. It ensures the boards of the companies it owns and controls have terms of reference. Management advised us that it is introducing new processes for developing shareholder agreements and articles of incorporation to help ensure that owned and controlled companies are subject to the same governance expectations as SaskTel itself.

SaskTel is also improving its processes to assess the effectiveness of the companies' boards. It is ensuring that board and management evaluations take place. Management advised us it is also planning to address governance-related risks more specifically in information provided to the Board.

Chapter 14–-Information Services Corporation of Saskatchewan

Information Services Corporation of Saskatchewan (ISC) needs to test its business continuity and disaster recovery plans in order to verify that it can promptly continue to deliver its services if key facilities and or computer systems are lost.

ISC strengthened its performance measurement and reporting processes but more work needs to be done. It needs to use its internal auditor to test its performance measuring systems and to verify key results.

Chapter 15—Standing Committee on Crown and Central Agencies

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central agencies, liquor, gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews significant transactions made by these corporations. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews chapters of our reports concerning CIC and its related corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. In the Exhibit, we set out the status of the Committee's eight recommendations that are not yet implemented.

Public Service Commission

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Main points

Effective human resource planning helps the Government meet its strategic goals. The Public Service Commission is responsible for oversight, strategic direction, and coordination of human resource planning across all departments. In this chapter, we report on whether the Commission has adequate processes to lead human resource planning across departments.

To lead human resource planning, we expected that the Commission would:

- guide human resource planning
- manage human resource risks across departments
- analyze department human resource planning
- build capacity for human resource planning within departments

As of October 31, 2004, the Commission had adequate processes to lead human resource planning with two exceptions.

First, departments need clear human resource priorities to help them decide what is critical to their human resource planning and what to do first. We recommend that the Commission identify and communicate to departments a manageable number of human resource priorities.

Second, the Commission has substantial information about human resource risks, but does not have a formal process to analyze these risks. We recommend the Commission use a risk management framework to identify and analyze human resource risks and help it decide what levels of risk it can accept in order to achieve desired results.

Human resources planning in the public service

Effective human resource planning helps the Government to have the right people, in the right jobs, at the right time.

The Government's agencies (e.g., Crown corporations, commissions, departments, health authorities) employ over 50,000 staff. Under *The Public Service Act, 1998*, the Public Service Commission coordinates human resource management for the 10,000 staff employed in government departments.[1] These staff are called the public service, and provide many essential programs and services.

The Public Service Commission (Commission) and departments have important responsibilities for human resource planning. In general, the Commission is responsible for strategic direction and coordination for human resources across departments. Departments are responsible for planning the human resources they require to serve the public and meet their objectives.[2]

The Commission's leadership is essential to ensure the departments can meet the demands of the future. The Commission must take a long-term view to guide human resource planning across departments. Helping departments to anticipate risks to their objectives and set priorities for action are key parts of the Commission's important role.

The Commission has identified trends and issues that present risks to the adequacy of the Government's human resources. For example:

- demographic shifts will affect the Government's ability to attract and retain employees
- the need for a supportive workplace and work environments that promote learning
- the need to modernize human resource management systems, processes, and practices

By effectively leading human resource planning across the departments, the Commission can assist the Government to manage these risks, deliver services, and achieve its goals.

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[1] Public Service Commission, 2003-04 Annual Report, p.5.
[2] For a detailed description of responsibilities, see Chapter 11 of our 2004 Report – Volume 3.

Audit of processes to lead human resource planning

In this chapter, we describe the adequacy of the Commission's processes at October 31, 2004 to lead human resource planning across departments.

During our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants and used the following criteria.

We expected the Commission to have processes to:

1. Guide human resource planning strategically over the long term
2. Manage human resource risks across departments
3. Analyze departments' human resource planning
4. Build capacity for human resource planning within departments

The Commission agreed with these criteria. Chapter 11 of our 2004 Report – Volume 3 further explains these criteria.

Audit conclusion

As of October 31, 2004, the Public Service Commission had adequate processes to lead human resource planning across departments except for processes to identify a manageable number of priorities and analyze human resource risks.

Key findings and recommendations

We organized our findings according to the four criteria set out above. Each section below begins by setting out our expectations *in italics*. It then describes our key findings and recommendations.

Guide human resource planning

To guide department human resource planning strategically over the long term, we expected the Commission would:

- *develop ways to promote alignment between department human resource planning and the Government's strategic direction*
- *set out guidelines for department human resource planning processes as well as plans*

- *provide planning expertise to departments*
- *provide departments with access to reliable planning information*
- *communicate the Government's human resource priorities*

To help achieve the Government's long-term goals, the Commission guides departments to align their human resource plans with the Government's strategic direction. The Commission's primary tool to promote alignment is through a human resource plan.

The "Corporate Human Resource Plan"[3] is also the Commission's public performance plan. It reflects the Government's human resource direction for departments. The Plan sets out goals, objectives, and key actions for the Commission and departments. In its annual report, the Commission reports progress compared to the Plan.

The Commission, particularly its full-time human resource planner, works with departments to develop the Corporate Human Resource Plan. The Commission consults with departments using networks of staff. The Commission's strategic planning committee contributes a long-term perspective to the Plan.

The Commission guides departments' planning processes. It annually provides departments with human resource planning guidelines and checklists. These set out issues and trends as well as a vision and direction for human resources. The guidelines and checklists advise departments about actions to include in their human resource plans for the upcoming year.

In addition, the Commission provides technical assistance and expert advice on human resource planning to departments. It carries out occasional studies that provide departments with insight on long-term issues. For example, every two years the Commission surveys all department employees. Regular contact with department staff helps the Commission identify areas where departments need more planning assistance.

Departments require reliable information to determine human resource needs and strategies over the long term. The Commission's systems gather and report human resource information for the departments' use. Some of the computer systems that the Commission uses to manage this human resource information are old and require improvement.

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[3] The Corporate Human Resource Plan is in the Saskatchewan Budget Performance Plan for the Public Service Commission located at http://www.gov.sk.ca/finance/accountability/2004/performanceplans.htm.

To help department staff analyze human resource planning information, the Commission provided departments with specific data, analysis tools, and training. The Commission and departments are developing a new human resource system to improve access to reliable information by 2006. The system will be integrated with the Government's new financial management system, MIDAS.[4]

Successful agencies set priorities to focus their work. The Commission identifies many broad human resource issues and works with departments to address them. It communicates numerous issues to departments through the Corporate Human Resource Plan, correspondence, and presentations. The Commission includes many key actions in the Plan to address these issues.

Departments have limited resources to address the many issues set out by the Commission. To focus their planning efforts, each department needs to understand its human resource priorities as well as the most important human resource priorities common to other departments. Clear priorities would help departments decide what is critical to their situation and what to do first. As yet, the Commission has not identified a manageable number of priorities.

1. **We recommend that the Public Service Commission communicate to departments a manageable number of human resource priorities.**

Manage human resource risks

Human resource risks include, for example, insufficient ability to attract, retain, or train employees. Risks such as these can impair an agency's ability to work efficiently. To manage human resource risks across departments, we expected the Commission would:

- *regularly consult with stakeholders about emerging issues*
- *identify key human resource risks including optimal risk levels*

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[4] Multi-Informational Database ApplicationS (MIDAS)

- *develop action plans to address human resource risks*
- *share relevant strategies to address risks*
- *establish measures and targets and use these to monitor the achievement of planned human resource results*

The Commission uses a range of formal and informal methods to identify risks affecting human resources. Stakeholders such as managers, human resource staff, employees, and unions participate in identifying risks.

The methods used to identify trends and related risks include:

- scanning the environment at least every four years
- networking with national human resource groups
- researching local and international human resource journals
- consulting regularly with unions through union-management committees
- surveying department employees every second year
- asking departments to assess risks during planning
- analyzing human resource plans of departments to identify recurring risks

Although it obtains substantial information about human resource risks, the Commission does not have a formal process to analyze these risks.

A formal process using a risk management framework provides agencies with a tool to identify, analyze, control, and monitor risks. A framework helps agencies to look at risks thoroughly and in a consistent way. A framework also helps agencies to decide the levels of risk they can accept while allowing them flexibility to pursue opportunities.

The Commission does not use a risk management framework. A framework would give the Commission a more complete picture of the risks departments face. For example, some frameworks help identify risks to reputation and innovation as well as more common risks. A framework would also help the Commission decide what levels of risk to tolerate in order to achieve desired results.

For some risks, the Commission develops strategies. For example, learning and development strategies help train employees to better fulfill their current and future roles; succession strategies help identify employees who wish to change their role. The Commission shares its strategies and key actions through the Corporate Human Resource Plan and guidance to departments. Without a risk management framework, it is difficult for the Commission to decide whether proposed strategies will adequately address the risks.

2. **We recommend that the Public Service Commission use a risk management framework to identify and analyze human resource risks and set acceptable risk levels.**

Part of managing risks is monitoring the achievement of planned human resource results across departments. The Commission has strong processes to monitor the achievement of planned results. It obtains mid-year and year-end progress reports from departments. The Commission assembles and reports this information. The Commission's reports include measures, baselines, targets, and results. The reports allow departments to compare their progress, note highlights, and improve their human resource planning.

Analyze human resource planning

To effectively analyze department human resource planning, we expected the Commission would evaluate the plans and key planning processes of departments and give them feedback.

The Commission requires departments to submit their human resource plans for its review. The Commission analyzes the information in these plans together with human resource reports and other department information. Its evaluations enable the Commission to identify gaps. For example, a department's human resource plan may not be aligned with the Government's strategic direction.

The Commission informally gains insight into department planning processes through its evaluations of human resource plans. It also learns about these processes through on-going meetings and interaction with individual department staff and groups.

The Commission gives feedback to departments particularly about their human resource plans. It provides this feedback through written reports and discussions. The Commission's constructive working relationships with departments help it to analyze human resource planning across departments.

Build capacity for human resource planning

To build capacity for human resource planning within departments, we expected the Commission would:

- *identify and remove barriers to departments' capacity to plan for human resources*
- *share best practices for human resource planning*
- *facilitate department training for human resource planning*

The Commission obtains input from departments on barriers that impede their capacity to plan effectively for human resources. It does this through regular consultations, reports, studies, and special projects.

The Commission works to reduce barriers to effective human resource planning. For example, it adjusted its processes and timetables to meet departments' needs, set up teams on particular problems, and pursued action plans for identified barriers.

The Commission builds department capacity by sharing best practices for human resource planning. It informs departments about useful research or publications and provides various planning materials. Most important, the teams set up to reduce specific barriers to planning often recommend best practices.

In addition, the Commission facilitates department training on human resource planning. It collects and shares information on training opportunities as they arise. It occasionally presents training directly. For example, in 2004, it gave a workshop about how to access and use electronic human resource information. The Commission also makes its staff available for one-on-one consultations with departments.

The use of the above processes will further departments' capacity for human resource planning over time.

Plan for follow-up

We plan to monitor how the Commission takes action on our recommendations.

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Saskatchewan Watershed Authority

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Main points

Saskatchewan Watershed Authority operates, maintains, and inspects Saskatchewan's dams and related water work channels worth an estimated $1.37 billion. A significant number of Saskatchewan residents rely on these dams to provide stable water supply for municipal and industrial use, irrigation, hydroelectric power generation, and recreation opportunities, and to protect downstream communities from flooding.

Over half of Authority's dams are more than 35 years old. Like all infrastructure, dams require continuous investment to ensure their ongoing safety and their ability to meet expected service needs. Inadequate investment of time and resources could significantly increase risks to public safety.

Saskatchewan's four largest dams are Gardiner, Qu'Appelle River, Rafferty, and Alameda. These dams would have major consequences downstream if they failed. This makes it critical for the Authority to have strong processes to keep these dams safe.

This chapter reports that while the Authority had adequate processes in many areas to keep these dams safe, it needs to make improvements in four areas. First, it should obtain independent comprehensive dam safety reviews on it four largest dams at least every five years. Second, it must have up-to-date tested emergency preparedness plans for each dam. Third, it needs a process to ensure it keeps all of its key manuals current and complete. And fourth, it should set long-term targets to better monitor the effectiveness of its dam safety activities.

Background

On October 1, 2002, the Saskatchewan Watershed Authority (Authority) was established from amalgamating the Saskatchewan Wetlands Conservation Corporation with part of Saskatchewan Water Corporation and the Department of Environment. A major focus of the Authority's activities is to manage and protect the quality and quantity of Saskatchewan's surface and ground water resources.

The Authority is also responsible for the operation, maintenance, and surveillance of 45 dams and 130 kilometres of conveyance channels[1] in Saskatchewan. The estimated replacement cost of the Authority's dams and related waterworks is $1.37 billion.[2] Each year, the Authority devotes between 20 and 25% of its total budget of $21 million to the operation, maintenance, and rehabilitation of its dams and related waterworks. Thirty-one of its 191 employees carry out these responsibilities throughout the year.

The dams are an essential part of the Province's water management infrastructure. They provide water for municipal and industrial use, irrigation, and hydroelectric power generation. Also, they reduce the risk of flood damage, enhance recreational opportunities, and maintain aquatic habitat.

Of its 45 dams, the Authority's four largest dams are Gardiner, Qu'Appelle River, Rafferty, and Alameda.[3]

The 64 metre-high Gardiner dam and the 27 metre-high Qu'Appelle River dam create a 225 kilometre long reservoir (Lake Diefenbaker) in the South Saskatchewan River basin. The reservoir holds over 9.4 billion cubic metres of water. The reservoir provides water for about 45% of the province's population. The Federal Government completed these dams in 1967, after eight years of construction. The Gardiner dam is one of the world's largest earth-fill dams. The total volume of earth fill is over 65 million cubic metres. The Provincial Government assumed full responsibility for these dams in 1997.

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[1] 2005-2006 Provincial Budget: Performance Plan: Saskatchewan Watershed Authority, p 3.

[2] Annual Report 2003-2004 Saskatchewan Watershed Authority, p 8.

[3] Saskatchewan Watershed Authority web site, available at http://www.swa.ca/WaterManagement/DamsAndReservoirs.asp?type=LakeDiefenbaker.

The 20 metre-high Rafferty dam is located on the Souris River six kilometres northwest of Estevan. The Provincial Government constructed Rafferty Dam over a four-year period between 1988 and 1992. Its reservoir provides water for the Shand Thermal Electric Generating Station, flood protection for downstream communities, irrigation, and recreation.

The 43 metre-high earth-fill Alameda dam is located on the Moose Mountain Creek (a part of the Souris River basin) north of the town of Oxbow. The Provincial Government constructed the dam over a four-year period between 1991 and 1995. Its reservoir provides a stable water supply, flood protection for downstream communities, irrigation, and recreation, and contributes to meeting Saskatchewan's water obligations to the United States.

Like all infrastructure, dams deteriorate over time. They require a continuous investment in maintenance to ensure their safety and ability to meet expected service needs. Inadequate maintenance of these aging dams could significantly increase risks to public safety.

"More than 50% of the Authority's dams are 35 years old or older. Not only has their physical condition declined over time, but in many instances, the criteria used for their design falls well short of today's standards."[4] One of the Authority's objectives is that "water management infrastructure is safe and meets operational requirements."[5]

The Authority classifies its four largest dams as very high consequence based on the potential impact of dam failure, as these four dams "would have major consequences from down stream flooding, including property damage and risk of loss of life, if they failed."[6] According to its analysis, if the Gardiner dam broke under the worst-case scenario, the entire South Saskatchewan River Valley throughout its length and large portions of the southern and western parts of Saskatoon would be flooded. It estimates that the water level would peak at 15 metres above the Broadway Bridge in Saskatoon.

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[4] Annual Report 2003-2004 Saskatchewan Watershed Authority, p 9.

[5] 2005-2006 Provincial Budget: Performance Plan: Saskatchewan Watershed Authority, p 4.

[6] Ibid., p 9.

The safety of the four largest dams affects the livelihood of most Saskatchewan residents.

Our audit objective and criteria

The objective of our audit was to determine whether the Saskatchewan Watershed Authority had adequate processes to ensure its four largest dams are safe at December 31, 2004.

In carrying out our audit, we defined a safe dam as one that "performs its intended functions without imposing unacceptable risks to the public by its presence."[7]

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our criteria, set out in Exhibit 1, describe the key processes that we expected the Authority to use to ensures its four largest dams are safe. We used the Canadian Dam Association's dam safety principles and guidelines (CDA) to develop the criteria. The Authority accepts these criteria as reasonable standards for assessing its processes.

Exhibit 1 — Audit criteria

Adequate processes to ensure dams are safe should include:

- Assessing the status of dams
- Documenting procedures based on the status of dams
- Monitoring the effectiveness of dam safety

Our conclusion

At December 31, 2004, the Saskatchewan Watershed Authority had adequate processes to ensure its four largest dams are safe except as reflected in the following recommendations.

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[7] BC Inspection & Maintenance of Dams Dam Safety Guidelines p 9.

1. **We recommend that the Saskatchewan Watershed Authority obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years.**

2. **We recommend that the Saskatchewan Watershed Authority have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner).**

3. **We recommend that the Saskatchewan Watershed Authority set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety.**

4. **We recommend that the Saskatchewan Watershed Authority set long-term targets (e.g. five to ten years) for measures related to dam safety to help it better monitor the effectiveness of its dam safety activities.**

Key findings by criteria

We describe below our detailed audit findings for each criterion. For each criterion, we identify what we expected (in italics) and what we found.

Assessing the status of dams

To assess the status of the dams, we expected the Authority's processes to define:

- *components of dams and their functions*
- *condition of dams*
- *risks that may affect the safety of dams*
- *potential consequences of dam failure*

The principle of dam safety management is that a dam whose failure would cause excessive damage or the loss of many lives must be designed to a higher standard than a dam whose failure would result in less damage or fewer lives lost.

The Authority maintains extensive documentation on its dams. For each dam, it keeps the original dam designs, modifications and revisions, history of the structures, log books, and reports.

The Authority has set up processes for performing routine surveillance, monitoring, and maintenance activities. It uses the results of these activities to determine the condition of dams, related safety risks, consequences of dam failure, and to prepare five-year operational and maintenance plans.

In 2004, the Authority selected some performance measures related to dam safety. For example, it uses a risk ratio to "gauge the Authority's progress in upgrading its infrastructure to acceptable standards and quantifies the overall risk of the water management infrastructure."[8] It tracks the number of dams requiring significant upgrades to meet dam safety standards.

The Authority uses job descriptions to assign clear responsibility for dam safety. It employs professional engineers with expertise in water resources engineering to evaluate inspections reports and determine risk of dam failure. When the Authority identifies problems beyond its expertise, it engages engineering consultants.

Regularly scheduled activities, along with technical data from equipment installed at each dam site, provides the Authority with detailed information. For example, information includes readings of subsurface movements (e.g., in dam foundations), surveys detecting surface movements, and cathodic tests assessing corrosion risks to equipment or structures. Some of these activities are ongoing, others are annual, and still others are periodic. It uses information from these activities to help determine the condition of the dams and identify potential safety risks.

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[8] 2004-2005 Saskatchewan Provincial Budget: Performance Plan: Saskatchewan Watershed Authority, p 10. The risk measure is a ratio of the aggregated assessed risk of all the Authority's water management infrastructure at a given time, compared to the maximum possible risk generated by this infrastructure. The measure assesses risk, defined as the likelihood of a failure multiplied by the consequences of a failure. This measure gauges the Authority's progress in upgrading its infrastructure to acceptable standards and quantifies the overall risk of the water management infrastructure. A lower ratio indicates safer infrastructure, with a ratio of 0 indicating no current assessed risk.

The CDA requires the first dam safety review (safety review) for a new dam to be completed within three years of initial reservoir filling.[9] In addition, the CDA recommends a safety review within a maximum of every five years for very high consequence dams. A safety review is a comprehensive formal review carried out by an independent registered professional engineer at regular time intervals. The review is to determine whether an existing dam is safe, and if it is not safe, to determine required safety improvements.[10]

The Rafferty and Alameda dams filled first in 1997 and 1999, respectively. Between 1995 and 2000, the Authority engaged engineering consultants to further assess risks the Authority had previously identified through its own activities. At March 2005, the Authority had not done a comprehensive safety review of the Rafferty and Alameda dams.

In 2001, the Authority hired an independent engineering consultant to do safety reviews for Gardiner and Qu'Appelle River dams. It did not require these safety reviews to include all aspects recommended by CDA. Rather, the Authority addressed certain risks not covered by the above reviews later. It engaged engineering consultants to provide assessments of the hydrology/hydraulic aspects[11] of Gardiner dam and of the geotechnical performance of both Gardiner and Qu'Appelle River dams.

The 2001 safety review concluded that the dams and associated works were in fair to satisfactory condition and that the Authority maintained an excellent program of inspection and maintenance. The review made several recommendations for improvement.

In its most recent five-year operational and maintenance plan, the Authority expects to have independent safety reviews performed on the Gardiner and Qu'Appelle River dams during the 2006-07 fiscal year. In line with CDA expectations, the Authority plans to do these reviews within five years from the original safety reviews completed in 2001. In addition, it has a plan to start safety reviews for the Alameda dam in 2006-07 and Rafferty dam in 2007-08.

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[9] Canadian Dam Association Guidelines (Jan 1999) p 2-1.

[10] Canadian Dam Association Draft Principles (Feb 2005) p G-2.

[11] Hydrology/hydraulic includes assessing the capacity of the dam structures and their capability to perform under extreme water flooding conditions.

Documenting procedures on the status of dams

We expected the Authority's processes to document procedures for dam:

- *operation, maintenance, and surveillance*
- *emergency management*

Documenting procedures in manuals make them more readily accessible to employees. Complete and current operation, maintenance, and surveillance procedures provide direction to employees to ensure that they maintain the structural integrity and safety of the dams. Complete manuals also help transfer key knowledge when personnel change.

Procedures for the Authority's activities change with time and new equipment. At times, the Authority documents these changes in various documents. The Authority has not set out when and how it expects staff to revise its manuals to ensure they are kept current.

The Authority has detailed operation and maintenance manuals for each dam site. Although it has established surveillance practices, the Authority does not have surveillance manuals for its four largest dams.

The Authority is updating its operation and maintenance manuals. Also, it is preparing a surveillance manual for Gardiner dam. It plans to complete the manual during the 2005-06 fiscal year. The Authority expects the surveillance manual to contain all aspects of monitoring, analysis, and reporting. When the manual is complete, the Authority expects to use it to prepare manuals for the remaining large dams.

An Emergency Preparedness Plan (EPP) "is a formal written plan that identifies the procedures and processes that the dam operators should follow in the event of an emergency at a dam."[12] The EPP is prepared to safeguard lives and to reduce property damage in the event of natural flooding or dam failure.

Floods can cause significant property damage and loss of production. The Authority has processes to minimize flood damage by using water management infrastructure, predicting areas at risk of flooding, and advising those potentially affected.

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[12] Canadian Dam Association Guidelines (Jan 1999) p 4-1.

The Authority has not set out how often it must prepare and update an EPP and the content of an EPP for each of its largest dams. The Authority has prepared an EPP for one of its four largest dams. In April 2002, the Authority issued an EPP for Gardiner dam. However, the Authority had not completely tested it to ensure the planned emergency procedures would work appropriately.

As indicated in its 2005-06 Performance Plan, the Authority plans to update the Gardiner dam EPP and start preparing an EPP for the Alameda dam in 2005-06[13]. In addition, it has plans to do an EPP for the Qu'Appelle River dam in 2006-07 and the Rafferty dam in subsequent years.

Monitoring effectiveness of dam safety

We expected the Authority's processes to monitor the effectiveness of dam safety. Senior management should:

- *review periodic reports*
- *obtain a periodic independent dam safety review*
- *take corrective action when dams are found to be in inadequate condition*

Staff has a clear understanding of the reporting expected by senior management. Senior management expects, receives, and reviews regular reports on the results of activities carried out at each dam site. These reports include:

- monthly reporting on the operations, physical maintenance, and surveillance at the four largest dams
- annual reports on the operations, physical maintenance, and surveillance (including inspections) activities conducted at the Gardiner and Qu'Appelle River dams
- annual inspection and periodic surveillance reports for the Rafferty and Alameda dams

Senior management reviews and approves five-year plans for its four largest dams. These plans outline the detailed operations, maintenance, and surveillance activities and special undertakings planned for the next five years. The plans include the corresponding annual budget required to complete the planned activities. In addition, the plans explain significant changes and set out the status of activities from the prior plan.

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[13] 2005-2006 Provincial Budget: Performance Plan: Saskatchewan Watershed Authority.

In addition to the results of its various activities, the Authority uses two key measures to monitor dam safety (i.e., aggregated risk ratio of dam failure, and number of dams requiring significant upgrades). The Board has approved these measures for inclusion in its public performance plan.

Senior management updates the Authority's board of directors semi-annually on its key activities and the status of its performance measures. The 2004-05 Performance Plan reports the following: at March 2004, 27 of its 45 dams require significant upgrades to meet the CDA Safety Guidelines and its dams had an aggregated risk ratio of 14.7%. Two of the four largest dams are included in the 27 dams that require significant upgrades and the risk ratio of one of the four largest dams is greater than the aggregated ratio to due this dam's very high consequence rating.

It is important the Authority carry out the right activities at the right time. The Authority must continually balance the timing of these activities with the current condition of the dams and available funding. Delays of these activities can reduce the safety of the dam.

As previously noted, the Authority does not meet the CDA guidelines in a number of key areas (e.g., independent dam safety reviews within recommended periods). In addition, the 2001 Gardiner and Qu'Appelle River independent dam safety reviews noted several deficiencies, some of which are not yet addressed. These deficiencies include the need for a surveillance manual, emergency operating procedures, and a number of areas for improvement in the Gardiner dam EPP (e.g., additional stability analysis of spillway crest structure). The Authority's own activities have also noted a number of matters that require action (e.g. installing a rock berm at Rafferty dam).

Targets are quantifiable estimates of results expected over a specific period. Comparing actual results against targets help to determine performance. For infrastructure, such as dams, the specified period for targets is generally longer term (e.g., five to ten years).

Based on planned activities, the Authority has projected aggregated risk ratio targets for each of the next two years. It has not yet set longer term targets. Without longer term targets for each of its measures at the overall level and each dam level, it is difficult to determine effectiveness of dam safety and the severity of problems. Also, it makes it difficult to determine if the Authority is carrying out the right activities at the right time to keep the risk of dam failure to an acceptable level.

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Health

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Main points

The Department of Health spends more than $150 million per year on the Saskatchewan Prescription Drug Plan (Drug Plan).

In this chapter, we report on the adequacy of the Department's processes to monitor the quality and relevance of drug use and to report on the Drug Plan's performance.

The Department should do more analysis to monitor the quantity and relevance of drug use in the population. This analysis would allow the Department to determine the success of specific program efforts. It would also allow it to focus resources to encourage appropriate and economical prescribing practices.

The Department has a Drug Plan claims database with a wealth of information that can provide valuable insights. Currently, the Department is improving its processes to monitor the quantity and relevance of drug use at an individual level. The planned improvements to this system will serve to strengthen this process in the future.

The Department's public reports need to show whether the Drug Plan is achieving its purposes.

Introduction

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. To do this, the Department provides policy direction, direct services, and funding to healthcare providers and health agencies.

This chapter reports the results of our audit of the Department to monitor the quality and relevance of drug use and to report on the Drug Plan's performance.

Drugs are the second highest expenditure in the Canadian healthcare system.[1] During the last two decades, drugs have been one of the fastest-growing components of total health expenditure in Canada. From 1985 to 2002, spending on drugs grew 9.7% per year while total health spending grew 6.4% on average each year. Every year spending on drugs grew faster than total health spending.[2]

All jurisdictions in Canada have a drug program to aid residents with the cost of drugs. There are differences in the drug benefits and coverage of programs across jurisdictions. For example, several provinces cover the drug costs of residents with no private insurance coverage, regardless of age or income. Others cover some drug costs for residents who meet certain criteria. The Drug Plan covers most residents with high drug costs in relation to their income.

In 2003, our Office and legislative auditors across Canada agreed to audit the drug program in their jurisdictions. The legislative auditors chose audits from a set of six common objectives, noted in Exhibit 1, and related audit criteria. To help make the audit results comparable, the legislative auditors coordinated their work. Each jurisdiction's results will be released between 2004 and 2006. Copies will be available at each legislative auditor's web site. Our web site, at http://www.auditor.sk.ca, provides a link to all other legislative auditors' web sites.

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[1] Canadian Institute for Health Information (2005). *Drug Expenditure in Canada 1985-2004* p. 1

[2] Canadian Institute for Health Information (2005). *Drug Expenditure in Canada 1985-2004* p. 5

Exhibit 1—Common audit objectives

To assess whether the organization has adequate procedures to:

1. Manage the performance of the drug program
2. Ensure resources are managed with due regard for cost-effectiveness
3. Ensure the eligibility of the insured persons and appropriate collection of premiums and other fees
4. Ensure compliance with legislation and assess whether its policies and procedures for approving, processing, and paying claims are adequate and are being followed
5. Monitor the quantity and relevance of drug use and encourage appropriate and economical practices
6. Report on the drug plan performance and that any reports to the Legislative Assembly are presented in the prescribed timeframe

We designed our audit approach to compliment the work we did on the Drug Plan that we reported in Chapter 2A of our 2004 Report – Volume 3. That work covered many aspects of the first four objectives noted in Exhibit 1. In that report, we recommend that the Department ensure pharmacists follow its payment process for exception status drugs.

Background

In Saskatchewan, healthcare providers may prescribe any drug, federally approved for sale in Canada, to their patients. The Minister of Health approves a formulary,[3] which is a list of drugs covered by the Drug Plan, as required by law. The Department compiles the formulary with advice from the Saskatchewan Formulary Committee. The Committee is an expert panel responsible to recommend cost-effective drugs with therapeutic value for coverage under the Drug Plan.

Residents with a valid Saskatchewan health services card may be eligible for Drug Plan coverage. This support program helps those with drug costs that are high in relation to their income, e.g., costs greater than 3.4% of family income. Support to offset formulary prescription costs varies depending on the type of benefit an individual is eligible to receive. Saskatchewan residents who have coverage under federal or worker's compensation programs are not eligible for Drug Plan benefits.

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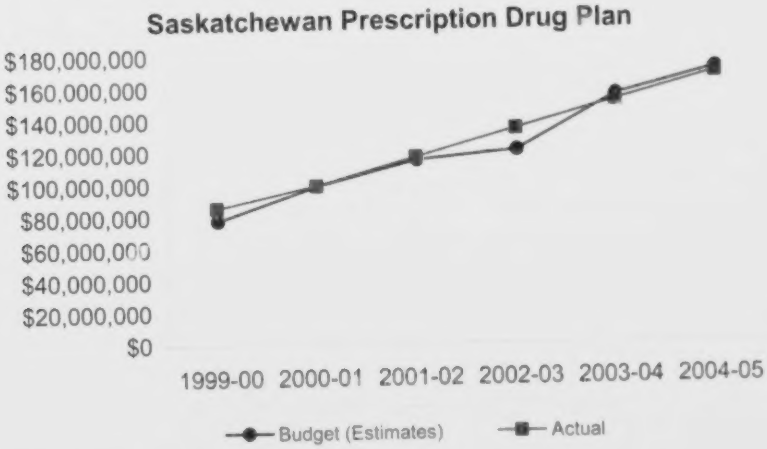
[3] Saskatchewan Health (2003). *Formulary July 2003- June 2004.* http://www.health.gov.sk.ca.

The Drug Plan provides financial aid to Saskatchewan residents for formulary prescription drugs used outside of hospitals. The objectives of the Drug Plan are to:

- provide coverage to Saskatchewan residents for quality pharmaceutical products of proven therapeutic effectiveness
- reduce the direct cost of prescription drugs to Saskatchewan residents
- reduce the cost of drug materials
- encourage the rational use of prescription drugs[4]

Exhibit 2 – Growth in spending on prescription drugs



Source: Public Accounts: Volume 2: Details of Revenue and Expenditure

The cost to the Province for the Drug Plan for formulary drugs has more than doubled in the past five years. This pattern is similar to the experience in other drug plans across Canada.

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[4] Saskatchewan Health (2005). *Drug Plan and Extended Benefits Branch Annual Statistical Report 2003-04*, p. 9.

Objectives

The objectives of this audit are to assess whether, as at January 31, 2005, the Department of Health had adequate procedures to:

- monitor the quantity and relevance of drug use and encourage appropriate and economical practices

- make timely, adequate public reports on the Drug Plan's performance

Throughout our audit, we followed *The Standards for Assurance Engagements* established by the Canadian Institute of Chartered Accountants.

Audit conclusion

The Department has adequate procedures to monitor drug practices and make timely reports of the Drug Plan's performance except for:

1. **We recommend that the Department of Health develop a plan to monitor and evaluate drug use in the population.**

2. **We recommend that the Department of Health set, evaluate, and report on performance measures for the Saskatchewan Prescription Drug Plan.**

The Department has a claims database with a wealth of information that can be used to monitor and evaluate drug use. We encourage the Department to carry out the planned system enhancements. These enhancements include setting up individual patient profiles and providing additional drug alerts to healthcare providers.

Key findings

We set out our criteria in *italics* under each heading in the section below. The Department agreed with our criteria.

Monitoring drug use

The Department should monitor individual prescriptions for problems associated with quantity or relevance and take corrective action where necessary. The Department should also adequately monitor and analyze provincial drug use and take action where necessary. We also expected the Department to encourage economical and appropriate doctor prescribing practices.

Analyze claims and overall drug use

The Department keeps records of formulary prescriptions through its Drug Plan claims system (System) and has for many years. The Drug Plan claims system captures data for covered prescriptions filled at any pharmacy in the Province. The System gives the Department a wealth of data on drug use in the Province. However, it did not capture all data for federally reimbursed programs, workers' compensation, or SGI claims.

The System provides some alerts to pharmacists before they dispense drugs. The System rejects prescriptions when the pharmacist submits an invalid Saskatchewan health services card. The System also alerts pharmacists of unusual drug use by providing a warning message if the same prescription was filled within the last week or, in some cases, where the quantity prescribed exceeds a set limit. Pharmacists can choose to override the alerts and dispense the drugs. The Department does not cover prescriptions that do not meet the Drug Plan's rules.

During 2003-04, the System could not provide alerts to pharmacists based on an individual's Saskatchewan health services card regarding adverse drug interactions from a combination of prescriptions dispensed or if excessive dispensed prescriptions exist.

In 2005, the Department implemented a new computer system, called ADAPT, to collect data on all prescriptions dispensed within the Province. The ADAPT system provides the same alerts as the previous claim system. Eventually, ADAPT will provide healthcare providers with access to an individual's drug profile with all prescriptions dispensed listed. ADAPT is part of the plan to create an electronic health record. The Department plans to integrate ADAPT information in a Pharmaceutical Information Program with on-line warnings of adverse drug interactions.

The final phase of this program is intended to improve patient safety by making possible on-line prescribing with fewer medical errors.

The Department provides drug claim data for research purposes. For example, the Health Quality Council reviewed drug use by senior citizens living in long-term care. In 2004, the Health Quality Council made a public report on its review called *Improving the Quality of Drug Management of Saskatchewan Seniors in Long-Term Care.*[5]

The Department should do more to encourage appropriate drug use for all Saskatchewan residents. Analyzing drug usage, particularly in high-risk areas, is critical to supporting good healthcare. Studying drug use patterns and taking action to prevent misuse can help ensure the intended outcomes of drug therapies. This analysis would also allow the Department to determine the success of specific program efforts. This type of work would contribute to meeting the Drug Plan's objective of encouraging the rational use of prescription drugs.

The Federal/Provincial/Territorial Ministers of Health established the National Prescription Drug Utilization Information System in 2001. The purpose of the Information System is to provide analyses of price, use, and cost trends so that the health system has more information on how prescription drugs are used and on sources of cost increases. When available, these analyses should help the Department to evaluate drug use in Saskatchewan.

Encourage certain prescribing practices

The Department uses several means to encourage appropriate prescribing practices. These means include indirectly encouraging certain drug use by setting a formulary and designating some drugs for use only in specified conditions. The Department also provides funding for several services available to healthcare providers to promote effective prescribing practices.

The Department needs to assess if these programs are meeting the Drug Plan's objectives. If the Department analyzed drug usage, it would be able to determine the success of its programs to encourage appropriate prescribing practices.

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[5] Health Quality Council (2004). *Improving the Quality of Drug Management of Saskatchewan Seniors in Long-Term Care*. http//www.hqc.sk.ca.

The formulary lists more than 3,500 drug products covered by the Drug Plan. Drugs are included in the formulary if they clearly demonstrate a therapeutic value or offer a potential economic advantage over existing drugs as recommended by an expert panel. The formulary also sets cost effective dispensing quantities for ongoing therapy drugs in the maintenance phase. All healthcare providers have access to the formulary. The Department indirectly encourages the use of drugs listed on the formulary by providing coverage under the Drug Plan. Many private insurance plans also use the formulary as their basis for coverage.

The Department designates some drugs in the formulary with an exception status that limits their use to certain listed conditions. The Drug Plan and many private insurance plans will only reimburse patients for the cost of these drugs if they meet the formulary's conditions. To obtain drug cost reimbursement from either source, healthcare providers must apply to the Drug Plan to receive approval that the patient meets the formulary's conditions.

Healthcare providers are aware of the exception status drugs and listed conditions for approved use. The Department is encouraging the restricted use of these drugs because they have the potential for misuse, or the drugs cost more than the listed alternatives on the formulary, or the drugs offer an advantage in only a limited number of conditions.

The Department pays for several services intended to promote effective prescribing practices. These services include:

- Educational resources available from the Saskatoon Health Region to help doctors in the Province select the most appropriate drug therapy. These resources include newsletters and academic detailing on topics of current interest to doctors. Academic detailing is a process where a health educator provides a doctor with summarized information on a specific drug therapy.

- A call-in line for healthcare providers and consumers to obtain drug information.

- The College of Physicians and Surgeons monitoring of certain drugs with intent to reduce abuse and diversion to "street use."
- Expert medical advice for the formulary committee's review process from the College of Medicine at the University of Saskatchewan.

In 2004, Health Canada established the Canadian Optimal Medication Prescribing and Utilization Service to promote and facilitate best practices in drug prescribing and use among healthcare providers and patients. Currently, it is focusing on diabetes, high blood pressure, and digestion problems. This Service will assist all provinces in promoting best practices for drug prescribing.

Reporting on performance

We expected the Department would make timely reports to the Legislative Assembly on meeting its program objectives, including the Drug Plan. Program objectives would be well defined, measurable, and compatible with the law. The Department would report on essential aspects of its programs' performance, key risks, capacity, and future plan to show whether the Drug Plan achieves its objectives.

In 2003, the Department of Finance set guidelines, including a 4-year implementation schedule, for preparing performance reports for all departments. The guidelines do not require reporting of key risks, capacity, or performance targets until future years. The Department of Health is required to follow these guidelines in preparing its public performance plan and annual report.

The Department's public performance plan[6] for 2003-04 provided an overview of the Department's key actions to achieve its strategic goals. The performance plan did not include the Department's specific objectives for the Drug Plan. The Drug Plan's 2003-04 budget was over $150 million.

The Department has not set specific targets and performance measures related to its objectives for the Drug Plan. Without specific operational targets and performance information, the Department is not able to assess whether its activities achieve their intended purpose.

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[6] Saskatchewan Health (2003). *Annual Report 2002-2003*. http://www.health.gov.sk.ca.

Each year, the Department reports its performance, including that of the Drug Plan, in its public annual report[7] and in various annual statistical reports. The Department's *2003-04 Annual Report* provides limited information on the Drug Plan. The report describes key enhancements to the Drug Plan and lists the total amount spent through the program. The Minister gives a timely annual report to the Legislative Assembly.

The Drug Plan and Extended Benefits Branch Annual Statistical Report 2003-04 includes the Drug Plan program objectives, benefits, and process. It highlights usage and cost trends for a number of years. The Department has publicly released the 2003-04 report in 2005.[8]

Reporting should be improved to include information specific to the Drug Plan's performance measures and, in the future, key risks, capacity, and targets.

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[7] Saskatchewan Health (2004). *Annual Report 2003-2004*. http://www.health.gov.sk.ca.

[8] Saskatchewan Health (2005). *Drug Plan and Extended Benefits Branch Annual Statistical Report 2003-04*. http://formulary.drugplan.health.gov.sk.ca

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Justice

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Main points

Under *The Pension Benefits Act, 1992*, the Superintendent of Pensions regulates and supervises pension plans in Saskatchewan. The Superintendent does so to reduce the risk of financial loss or inequities to pension plan members.

In 2004, we assessed the adequacy of the processes the Superintendent of Pensions used to supervise pension plans. We found that the Superintendent had adequate processes except as reflected in our following four recommendations. We recommend that the Superintendent:

- expand its analysis of pension plan risks to consider the key risks faced by all pension plans
- prepare a risk-based work plan to supervise pension plans
- provide staff with written guidance regarding information to document when registering and amending pension plans
- develop alternative ways to obtain information from pension plan administrators or seek legislative changes to expand its enforcement powers to obtain required information

Glossary

Beneficiary – a person who receives or is entitled to receive benefits.

Defined benefit pension plan – a pension plan that specifies the pension that members of the plan receive on retirement or the method of determining the pension.

Defined contribution pension plan – a pension plan in which the members' contributions are fixed, usually as a percentage of pay (except for the Saskatchewan Pension Plan, whose members can contribute up to $600 each per year). A member's pension is based on the member's and the employer's contributions made on behalf of the member and investment earnings on those contributions.

Fiduciary responsibility – duty of loyalty to those whose interest a person protects.

Pension liability – the present value of pension benefits earned by plan members as determined by an actuary using the pension plan's best estimates about future events and an appropriate actuarial method as recommended by The Canadian Institute of Chartered Accountants for accounting purposes.

Pension plan administrator – employer or trustees or an agency that administer the pension plan, i.e., who arrange for pension payments and funding of the plan, etc.

Pension plan board – a group of individuals, identified in the pension plan's act or plan document, that is ultimately responsible for managing the plan. Some people refer to this group as committee, commission, or trustees.

Unfunded liability – the amount by which the pension liability exceeds the assets of the pension plan.

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Department of Justice

The Department of Justice is responsible for upholding the rule of law, protecting basic legal rights of citizens, and ensuring good and proper administration of justice.[1] We reported our audit of the Department for the year ended March 31, 2004 in our 2004 Report – Volume 3.

Part of the Department's mandate involves regulating the marketplace to safeguard consumer and public interests and support economic well-being. This includes regulating pensions. The Department does this through the Superintendent of Pensions. In 2004 we assessed the adequacy of processes the Superintendent used to supervise pension plans. In this chapter, we report the work we did and our conclusions, findings, and recommendations.

Superintendent of Pensions

About 49% of paid workers in Saskatchewan participate in registered pension plans.[2] When a pension promise is made, this is the first step in the creation of a complex arrangement known as a pension plan. The appropriate management and oversight of this complex arrangement is critical to the fulfillment of the pension promise.

Regulatory framework

To help ensure that pension plans are well managed, the Government needs an adequate regulatory and supervisory framework. *The Pension Benefits Act, 1992* (Act) provides a framework. The Act sets out requirements for registration, amendments, and termination of pension plans.

The Minister of Justice appoints a Superintendent of Pensions (Superintendent) to administer and enforce the Act. The Superintendent is responsible to reduce the risk of financial loss or inequities to pension plan members. The Superintendent carries out this responsibility by supervising pension plans. In 2003, the Superintendent supervised 378 pension plans (230 defined contribution and 148 defined benefit) with a market value of assets totalling $14.5 billion. We describe the scope of the Superintendent's responsibilities in the Exhibit. The Superintendent has two staff members.

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[1] 2005-2006 Provincial Budget Performance Plan, Saskatchewan Justice.

[2] Financial Services Commission. (2003). *A statistical perspective on pension plans registered in Saskatchewan*, p.1.

In 2002, the Legislative Assembly passed *The Saskatchewan Financial Services Commission Act* establishing the Financial Services Commission. The Commission is responsible to co-ordinate financial services regulators in Saskatchewan. The Act also allows the Government to assign the duties of the Superintendent to the Commission. The Government has not yet done so.

The Government's regulatory framework helps ensure that pension plans subject to the Act meet their pension promises. The Act helps safeguard the pension benefits that members have earned. However, the Act does not require employers to establish or continue pension plans. Nor does the Act guarantee that pension plans will make promised pension payments because there is no specific government guarantee or insurance scheme to cover losses in a terminated pension plan.

People rely on their pension plans to meet their retirement needs. To maintain the confidence of the public and plan members, pension plans must meet pension promises. Because of recent pension failures, funding issues, and legal actions, pension plan supervision and governance have become highly visible and sensitive issues. Plan members are more likely to make demands on public resources if pension plans fail to meet pension promises. Where plans have surpluses, the Superintendent must also work to ensure that all stakeholders are treated equitably.

Exhibit

The Pension Benefits Act, 1992 applies to all private sector pension plans and some public sector pension plans. Some government pension plans such as the Saskatchewan Research Council Employees' Pension Plan, Capital Pension Plan, and Saskatchewan Telecommunications Pension Plan are also subjected to supervision under the Act. Pursuant to *The Pension Benefits Regulations, 1993*, the Act does not apply to the following:

- registered retirement savings plans
- employees profit sharing plans
- deferred profit sharing plans
- arrangements for retiring allowances and supplemental plans
- plans that provide benefits issued under a contract issued pursuant to the *Government Annuities Act* (Canada)
- federally regulated pension plans
- pension plans for employees of the Federal Government.

Audit objective

The objective of our audit was to determine if the Superintendent of Pensions had adequate processes at September 30, 2004 to supervise pension plans.

Our audit did not include the Superintendent's reciprocal arrangements with other pension regulators in Canada. Nor did we examine the Financial Services Commission's processes to co-ordinate financial services regulators in Saskatchewan.

Criteria

Auditors use criteria to evaluate the matters they examine. Criteria are reasonable and attainable standards against which auditors assess the adequacy of processes. We outline the criteria that we used below.

To adequately supervise pensions, the Superintendent should have processes to:

- identify and evaluate the risks of pension plans
- align work processes with the risk assessment
- evaluate pension plan information
- register, amend, and deregister plans
- provide sound direction
- follow-up and enforce compliance

We described these criteria in more detail in our 2004 Report – Volume 1. The Superintendent agreed with the criteria. To do this work, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Conclusion and recommendations

At September 30, 2004, the Superintendent of Pensions had adequate processes to supervise pension plans except as reflected in the following recommendations.

1. **We recommend that the Superintendent of Pensions expand its analysis of pension plan risks to include the key risks faced by all pension plans.**

2. **We recommend that the Superintendent of Pensions prepare a risk-based work plan to supervise pension plans.**

3. **We recommend that the Superintendent of Pensions provide staff with written guidance regarding information to document for the registration and amendment of pension plans.**

4. **We recommend that the Superintendent of Pensions develop alternative ways to obtain information from pension plan administrators or seek legislative changes to expand its enforcement powers to obtain the required information.**

Key findings

Supervise based on risk

To supervise pension plans effectively, the Superintendent needs to adopt a risk-based approach. A risk-based approach would require the Superintendent to identify the significant risks that pension plans face and to design its processes and set its work priorities based on this analysis. The Superintendent would also specify actions (e.g., review, analysis, on-site examinations) to reduce risks to an acceptable level. More risky pension plans would need closer supervision.

The Superintendent currently focuses on one type of risk—funding risk—that defined benefit plans face. It ranks defined benefit pension plans based on funding risk. The Superintendent does not systematically assess risk for other plans. Generally, it considers plans to be higher risk if the Superintendent receives complaints from plan members, sees evidence of delayed contributions from sponsors, or receives inaccurate or late annual information returns. The Superintendent needs to expand its analysis of pension plan risks to include the key risks faced by all pension plans.

Require more information

The Superintendent collects information about pension plan risks by examining pension plan text, actuarial valuation reports, and annual information returns. The information collected is not sufficient to identify key risks other than funding risk. These additional risks could include, for example, risks related to governance, investment, compliance, and member education. To adequately identify and assess key risks, the Superintendent needs to gather more information. This information could be collected from the minutes of pension plan boards, strategic plans, governance information, annual reports, statements of investment policies and goals, and investment management and compliance reports.

The Superintendent should also obtain more information to register and amend pension plans. Procedures for registering pension plans should ensure that the Superintendent receives all necessary plan information before approving a plan for registration. Currently, the Superintendent's processes for registering plans do not require new pension plans to provide information on their investment policies and goals, or on their governance practices.

Pension plans usually set out investment policies and goals in a document called a statement of investment policies and goals. This statement sets out the investment risk acceptable to the plan and its members. It also sets out guidelines and restrictions that the plan's investment manager must follow. This information could assist the Superintendent to assess whether investment policies and goals for plans are adequate to reduce investment risk to an acceptable level for plan members.

Also, the Superintendent could use information on plan governance practices to help it assess whether pension plans use sound oversight practices to reduce the risk of loss to members.

Verify and examine

The Superintendent requires pension plans to submit annual information returns. The Superintendent relies on the plan administrators who submit the returns to confirm that the information is accurate. The Superintendent should require supporting documentation, such as audited financial statements, statements of investment policies and goals, and governance information to help ensure the information received is accurate. In reviewing this information, the Superintendent should focus on the plans it has identified as high risk. The Superintendent could consider obtaining assurance from the auditors of high-risk pension plans that plans have complied with their plan documents and with legislative authorities.

The Act gives the Superintendent the right to carry out audits and inspections. The Superintendent needs to base its audits and inspections on its assessment of risks. Focusing its audits and inspections on high-risk plans would assist the Superintendent to efficiently carry out its duties.

During the last year, the Superintendent completed its first on-site examination of a defined contribution plan. The on-site examination identified significant control deficiencies in the plan administration and resulted in useful recommendations for the administrator. The Superintendent's normal review practices would not have detected those control deficiencies. The Superintendent could consider doing more on-site examinations for high-risk plans.

Guide staff

The Superintendent should improve its processes by clearly setting out steps staff must follow to register and amend pension plans. The Act and Regulations are detailed and complex. The Superintendent needs to provide guidelines to staff on what a pension plan document must include—at a minimum—for registration or amendment. The Superintendent should require staff to document their assessment of whether plans seeking registration or amendments have met the requirements of the Act and Regulations. This would help to ensure the Superintendent registers and amends pension plans in accordance with the law. Clear assessment and documentation would also help the Superintendent to evaluate its quality control processes.

Direct and enforce

The Superintendent gives written guidance to pension plan administrators. The guidance generally relates to improving plan administration, meeting expectations set out in plan documents, and improving compliance with the Act. The Superintendent also provides information to pension plans through its web site, by mailing special bulletins and rulings to plan administrators, and by participating in pension seminars.

The Superintendent makes a range of decisions when supervising pension plans. The Superintendent must ensure that plan administrators comply with those decisions. The Superintendent has an adequate system to signal when it must request information or when administrators do not submit requested information. The Superintendent follows up with letters seeking clarification or additional information. However, this process is not always effective. We noted many examples where administrators had not provided information requested over a year earlier. In such cases, the Superintendent needs to consider other ways to get the information, such as staff visits.

The Superintendent has limited enforcement powers under the Act and Regulations to compel administrators to respond in a timely manner. The Superintendent can deregister a plan, but that would punish the plan members who have no control over the plan administrator's actions. The Superintendent needs to develop other ways to obtain the information it requires to carry out its responsibilities. Alternatively, the Superintendent should seek legislative changes to expand its enforcement power to obtain the required information.

Future work

During 2005, we plan to assess the progress of government pension plans in addressing our past recommendations to improve their governance processes. We plan to report the results of our work in future reports.

During 2006, we plan to examine how the Government addresses its future cash requirements for government pensions promised. We will also reassess the progress of government pension plans in improving their annual reports to address our past recommendations.

In the future, we will also assess the progress of the Superintendent of Pensions in addressing the recommendations we make in this chapter.

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Community Resources and Employment

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Main points

In December 2004, officials of the Department of Community Resources and Employment (DCRE) informed our Office that they had become aware of a possible misuse of public money by an employee resulting in a loss to the Crown.

We investigated this matter to determine the amount of the loss and identify the conditions that allowed the loss of public money to occur and remain undetected.

DCRE incurred a loss of public money of about $1 million. We concluded that DCRE needs to:

- properly segregate the duties of its employees
- provide effective direction of employees
- properly oversee operations
- use sound employee hiring practices

We make several recommendations for DCRE to help improve its processes to safeguard public money. DCRE is taking steps to improve its processes. In May 2004, it prepared a Quality Improvement Plan to improve its processes to ensure that only eligible clients receive the correct amount of assistance. As well, it is currently reviewing all established processes for social assistance payments. The purpose of the review is to strengthen processes to reduce the risk of future misuse of public money.

Introduction

The Provincial Auditor Act requires our Office to report to the Legislative Assembly losses to the Crown through the fraud, default, or mistake of any person. In December 2004, officials of the Department of Community Resources and Employment (DCRE) informed our Office that they had become aware of a possible misuse of public money by an employee. This report sets out the results of our investigation of this matter.

Background

The mandate of DCRE is to advance the economic and social well-being of Saskatchewan people. It provides basic income support, housing, childcare, career services, and employment programs. DCRE helps vulnerable families care for and support family members. It supports independent community-based services for people with mental and physical disabilities.

DCRE spent $606 million on its programs for the year ended March 31, 2004. The following is a list of the Department's major programs and spending.

	(millions)
Income Support	$ 313
Community Living	76
Regional Service Centres	69
Family and Youth Services	65
Other	40
Child Care	22
Accommodation and Central Services	18
Early Childhood Development	3
Total	$ 606

What happened

On December 20, 2004, DCRE officials informed us that they had become aware of a possible misuse of public money by an employee. The misuse involved about $1 million over 12 years.

DCRE acted promptly after detecting the misuse of public money in late November, 2004. Within one day of uncovering the suspicious circumstances, DCRE suspended the employee and two days later notified the RCMP. Within a week, DCRE had set up a team of senior managers to oversee an investigation into the nature and extent of the possible misuse of public money and the deficiencies in processes, if any, that could have allowed the misuse to occur and remain undetected for 12 years.

Our objectives

We set two objectives for our investigation. First, we wanted to determine the amount of the loss of public money. Second, we wanted to determine the conditions that could have allowed the loss of public money to occur and remain undetected.

Our conclusions and findings

We found:

- **DCRE incurred a loss of public money of about $1 million. Due to the nature of misuse of money, we are unable to determine if there were further losses. Misuse of money is difficult to detect because the acts are designed to conceal the misuse. Even an audit of every transaction might not uncover all misuse of money.**

- **DCRE needs to:**
  - **properly segregate the duties of its employees**
  - **provide effective direction of employees**
  - **properly oversee operations**
  - **use sound employee hiring practices**

We have structured the chapter in two parts. In Part A, we describe our work to determine the amount of the loss of public money. In Part B, we describe the conditions that allowed the loss of public money to occur and remain undetected. We include recommendations for improvement.

Part A—Loss of public money

What we did

We assessed DCRE's plan to investigate the loss of public money. The plan's objectives were to determine:

- if there was misuse of public money by the employee, and if so, the extent of the misuse, and how it was carried out
- if any other DCRE employees may have carried out similar activities to misuse public money in the past three years
- if DCRE's processes need strengthening to prevent or detect the misuse of public money

Based on our suggestions, DCRE revised the plan to strengthen it. The revised plan is reasonable for DCRE to achieve the above objectives.

DCRE did most of the investigative work. We examined DCRE's work and findings. We did tests and other audit procedures we considered necessary to ensure that DCRE's work was adequate. Where DCRE's work was not adequate for our purposes, we asked it to do additional work. DCRE co-operated fully with our requests.

What we found

We determined that DCRE incurred a loss of public money of about $1 million. Due to the nature of misuse of money, we are unable to determine if there was further misuse. Misuse of money is difficult to detect because the acts are designed to conceal the misuse. Even an audit of every transaction might not uncover all misuse of money if it is concealed by false documents, or involves management override.

Misuse of public money by an employee

The misuse of public money occurred in DCRE's Saskatchewan Assistance Program (SAP). SAP provides social assistance to persons in financial need. For the year ended March 31, 2004, DCRE spent $240 million on social assistance.

DCRE told us that on November 30, 2004, an income security worker (worker) in DCRE's Saskatoon Regional Office found a problem. While reviewing a list of payments, the worker noticed a payment to an unfamiliar client. Upon reviewing the client's file, the worker found extensive involvement by the SAP Area Service Manager (Manager). The Manager was the only client contact recorded in the file. The manager had initiated and approved many payments to the client.

DCRE's policy is that managers do not register clients for benefits or initiate payments. Because any involvement in a client file by a manager is unusual, the caseworker informed senior management who investigated further. Management then found additional files where the Manager was initiating payments.

On December 1, 2004, management suspended the Manager who was later fired.

Our detailed findings

The Manager misused public money during the period August 24, 1992 to November 26, 2004, by making unsupported payments to 16 clients. We were unable to verify the existence of, or identify any of, these clients.

The manager made 917 payments to the 16 clients totalling $1,030,000. Exhibit 1 shows the evolution of clients and total annual payments to the clients.

Exhibit 1—Misuse of public money by Manager

Year	# of clients	# of clients paid	Total payments
1992	1	1	$ 11,863
1993	2	2	41,139
1994	3	3	73,606
1995	3	3	88,243
1996	4	4	72,845
1997	6	4	100,116
1998	12	10	72,147
1999	15	11	94,113
2000	16	10	92,954
2001	16	9	105,321
2002	16	9	89,037
2003	16	8	96,781
2004	16	10	95,078
Total	**16**		**$1,033,243**

DCRE could not find evidence to support any of the 917 payments. A SAP client file typically contains a signed application for social assistance and other documentation confirming the client's living arrangements, personal assets, and expenses for rent, utilities, and special needs.

The Manager made virtually all payments to the 16 clients as emergency payments. DCRE's central payment system in Regina prepares all SAP cheques. DCRE mails the cheques from Regina except for emergency cheques. Emergency cheques are printed in the regional offices for pick up by clients.

Payments were often deposited into a single bank account. The bank account was in the name of the first client. To deposit other client cheques to this account, cheques were made out jointly to a landlord (the first client) and one of the other clients.

We were unable to establish the identity of any of the 16 clients. Most of the addresses recorded in the clients' files do not exist. DCRE has made no payments to any of the 16 clients since the Manager left on December 1, 2004. Payments to the clients were very regular each month (about eight cheques each month) over the 12 years, except when the Manager was away on extended leave (i.e., six weeks leave in 1998 and four weeks in 2001). DCRE made no payments to the 16 clients during the extended leaves.

Search for similar misuse of public money by other employees

DCRE investigated whether other similar activities to misuse public money have occurred over the past three years. DCRE's investigation did not find additional misuse of public money. We examined the Department's work and agree with its findings.

Part B—Conditions that have allowed loss of public money

No system to safeguard public money can prevent or detect all fraudulent acts because the acts are designed to conceal the fraud and may involve collusion with others. A sound system to safeguard public money creates an environment where errors or fraud are less likely to occur and if they occur, are more likely to be detected. Through diligent planning and oversight, an agency's senior management reduces the risk of errors and fraud.

We recognize that the each misuse of public money by the manager was relatively small and took place over 12 years. The Department issues over 1,000,000 payments each year, totalling over $600,000,000 for all its programs. The misuse of money involved about 80 payments each year averaging about $90,000 per year.

Loss of public money is more likely to occur when the following conditions exist:

- segregation of duties is absent, weak, or loosely enforced
- there is ineffective direction to staff
- employees are poorly supervised
- employees are hired and retained without due consideration for their honesty or integrity

We describe below our findings for each of the above conditions.

Segregation of duties

To safeguard public resources from misuse, an agency needs to segregate duties so that no one employee or group of employees is in a position to perpetrate and conceal errors or fraud. A lack of segregation of duties increases the risk that public money will be misused and that the misuse will not be detected.

Our 2004 Report – Volume 3 reported that DCRE has not established adequate security processes for its computer systems. Security processes include defining and limiting who has access to information systems to initiate, revise, and approve payments. Strong security processes help to ensure that no one employee or group of employees is in a position to perpetrate and conceal errors or fraud.

This deficiency in security processes enabled the Manager to both initiate and approve payments. During 2005, the Department is taking steps to strengthen its security processes.

1. **We continue to recommend that the Department of Community Resources and Employment establish adequate security processes for its information systems that adequately segregate employees' duties to initiate, revise, and approve payments.**

Effective direction to employees

To safeguard public resources from misuse, an agency needs to provide effective direction to employees.

DCRE has various operating policies and procedures manuals that provide direction and guidance to employees. The manuals include directions to employees on how to initiate and process payments. DCRE has also established authority limits setting out the following: who has the authority to initiate and approve payments, the maximum amounts of the payments, and the nature of payments that can be initiated or approved.

The Saskatchewan Assistance Regulations (Regulations) define who is eligible for social assistance and the amount of assistance. The regulations set clear limits for payments for basic needs such as food, clothing, and shelter.

In addition, the Regulations authorize DCRE to pay for additional client needs such as special clothing and food, travel, childcare, household equipment and furniture, property repairs, education expenses for children, and expenses related to starting employment. The Regulations require ministerial approval for certain special needs payments that exceed $5,000 in a year, e.g., property repairs.

Annually, DCRE makes over 700,000 payments for social assistance. DCRE must make many of these payments quickly. A person's need for food, clothing, and shelter often require payment that day, or within a few days. DCRE must later verify the client's eligibility for assistance and the amount that was required.

In addition, a client's eligibility for assistance (e.g., living arrangements, levels of income) often changes affecting the amount of required assistance. If the client does not promptly inform DCRE of such a change, it will make incorrect payments until it re-assesses the client's need. DCRE's processes require this re-assessment on every client at least once each year.

As a result, DCRE needs strong detective controls to identify incorrect payments after they have been made and to recover any over payments. For several years, we have reported that DCRE does not adequately follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance. DCRE's inadequate compliance with processes indicates that employees are not adequately supervised or trained to understand the importance of following established processes.

Employees must understand the importance of complying with established processes to prevent errors or fraud. They need to know that they are expected to bring any observed non-compliance to management's attention, and can do so safely. Fraud awareness training for employees can assist in this process. Fraud awareness training would help DCRE establish a culture of fraud awareness. It would also help employees in detecting and preventing internal and external frauds.

In June 2001, the Standing Committee on Public Accounts (PAC) agreed with our recommendation that DCRE follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance.

2. **We recommend that the Department of Community Resources and Employment clearly communicate to its employees the importance of its processes to safeguard public resources and ensure employees understand the intent of the processes.**

3. **We recommend that the Department of Community Resources and Employment train its employees to help establish a culture of fraud awareness.**

Overseeing operations

To safeguard public money from misuse, agencies need to oversee operations and supervise employees to ensure they follow established processes and are achieving the agency' objectives.

As described earlier, we have for several years reported that DCRE does not adequately follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance. The deficiencies in complying with established processes indicate that management needs to strengthen its supervision of operations and employees to prevent or detect errors or fraud in social assistance payments. Exhibit 2 shows our audit findings for the past three years on the rate of non-compliance with DCRE's established processes.

Exhibit 2—Percentage of client files containing inadequate support for social assistance payments

Eligibility not adequately documented or incorrectly recorded	2005	2004	2003
Client identification	10%	18%	33%
Needs/expenses	26%	29%	25%
Marital status	1%	8%	13%
Living arrangements	10%	16%	23%
High risk of overpayments (large payments)[1]	0%	7%	19%

Exhibit 2 shows that DCRE has improved its compliance with established processes in recent years. More improvement is needed. DCRE's internal auditor regularly reports to senior management similar rates of non-compliance with established processes. Prompt action by management is necessary to improve compliance.

High risk payments need closer scrutiny

We have reported in previous years that DCRE does not have a comprehensive and consistent risk management process to decide which social assistance clients require close scrutiny. With an average caseload of about 27,000 clients, DCRE needs to focus its investigations on payments to its highest risk clients.

High risk clients include those who receive large amounts of social assistance. Large payments are generally for special needs such as property repairs, moving expenses, or medical expenses.

Over a 12 year period, the Manager paid about $1 million to 16 clients. Payments to individual clients often exceeded $20,000 annually. Regular reviews by management of large payments might have revealed that there was no support for these payments.

We continue to recommend that DCRE follow its established processes to ensure that only eligible clients receive assistance and that they receive the correct amount of assistance.

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[1] These are client files that contained large unsupported or suspicious payments with little or no evidence that DCRE had followed up or questioned the payments. These payments include, for example, payments without invoices or receipts; medical payments without any evidence of medical problems; and payments to clients with significant bank balances or other assets.

Hiring employees

To safeguard public money from misuse, an agency needs processes designed to determine the suitability of job applicants. It also needs to bond or otherwise insure persons involved in the collection, receipt, disbursement, or expenditure of public money.

DCRE uses hiring practices established by the Public Service Commission. While those practices require departments to screen prospective employees, they do not require departments to do criminal record checks on all employees. Criminal record checks would be useful to determine the suitability of applicants for the position being filled. Currently, criminal record checks are mandatory for certain employees working in DCRE and other government agencies.

When DCRE hired the Manager in 1989 as a caseworker, it was not its practice to do criminal record checks on employees hired to fill positions of trust. Beginning in 1997, DCRE does criminal record checks for all employees who provide personal care to clients or supervise or otherwise affect the personal, financial, or social functioning of clients. Many of these employees also initiate or approve payments. DCRE does not do criminal record checks on other employees who do not deal with clients but are involved in the collection, receipt, disbursement, or expenditure of public money.

Criminal record checks are a good source of information for an employer to assess if the individual's past behaviours align well with the requirements of the job. Criminal record checks, however, do not guarantee an individual's future behaviour and honesty. To address this risk, agencies buy insurance policies (fidelity bonds) to protect them from any losses resulting from employees' behaviour or dishonesty.

To protect public money, the Legislative Assembly passed legislation for bonding of public officials. *The Public Officials Security Act* (Act) requires that:

> ....every public official shall... enter into a bond or other security for the due performance of the trust reposed in him and for his duly accounting for all public moneys entrusted to him or placed under his control or that may come into his hands.

Under the Act, public official means a person appointed to an office or employment by or under the Government of Saskatchewan, wherein the person is concerned in the collection, receipt, disbursement, or expenditure of public money. The Act also gave Cabinet authority to accept a bond from Saskatchewan Government Insurance (SGI) as a guarantee for the due performance of duties by members of all classes of public officials to comply with the requirements of this Act. This bond substitutes for the need for public officials to provide individual bonds.

Insurance companies offer various types of fidelity bonds to protect employers from losses resulting from employees' behaviour or dishonesty. Individual bonds and blanket bonds are fairly common. Individual bonds cover each named employee and the insurer does the due diligence about the individual before bonding and regularly after bonding. Individual bonds are relatively expensive and difficult to obtain. Blanket bonds cover specific positions in an agency. The insurance companies undertake due diligence on the agency rather than on each employee. Blanket bonds cost less but are not as effective as individual bonds unless supplemented by criminal record checks by employers.

The Act requires all public officials to provide a bond. However, Cabinet under the authority of that Act has arranged a blanket bond with SGI to substitute for individual bonds. The bond covers all departmental positions for a standard coverage of $20,000 per position. The standard coverage has remained $20000 since 1978.

Also, under the current bond, departments can ask for special additional coverage for positions that handle cash or other valuables. DCRE does not have additional coverage for any specific position.

To reduce the risk of loss of public money, DCRE should assess if it needs to seek additional bond coverage for those employees who are involved in the collection, receipt, disbursement or expenditure of public money. DCRE should also assess if the blanket bond coverage of $20,000 is sufficient. Alternatively, it should consider supplementing the blanket bond by criminal record checks for all employees who hold or will hold positions of trust.

4. **We recommend that the Department of Community Resources and Employment assess if the standard blanket**

fidelity bond (insurance) coverage reduces it risk of loss of public money to an acceptable level.

5. **We recommend that the Department of Community Resources and Employment assess the risk of loss of public money by employees in positions of trust (i.e., responsible for the collection, receipt, disbursement or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).**

Department's plans to prevent future misuse of public money

In May 2004, DCRE prepared a long-term Quality Improvement Plan (Plan). The purpose of the Plan is to 1) improve the quality of social assistance delivery, and 2) to improve compliance with DCRE's processes for social assistance payments including strengthening the processes if necessary. The Plan sets out a vision, values, objectives, risks to achieving objectives, strategies and action plans (with deadline dates), and performance measures.

Action plans include reviews of 5,000 social assistance client files for compliance with established procedures and staff training on the purpose and importance of established processes. Action plans also include strengthening internal audit and other monitoring of performance, and regular reporting to senior management. Long-term action plans include developing a corporate culture that ensures long-term sustainability and improvement of client service and compliance with established processes.

DCRE is on time in meeting its deadlines for its strategies and action plans related to its social assistance program, except it has not yet set performance targets. It has completed reviews of 9,000 client files for compliance with established procedures and reported the results to senior management. It has completed staff training.

The Plan, combined with long-term commitment from senior management, should provide a reasonable basis for the DCRE to achieve and maintain compliance with its processes. We will continue to monitor

DCRE's implementation of the Plan and report our findings in future reports.

In addition, as noted earlier, DCRE's investigation plan includes determining if DCRE's processes are adequate to prevent or detect the misuse of public money. DCRE, with assistance from the Department of Finance, is doing a review of all processes for social assistance payments. The purpose of the review is to strengthen processes to reduce the risk of future misuse of public money. We will report on the adequacy of any new processes in a future report.

Environment

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Main points

In December 2004, the Department of Environment (Environment) told us that an employee used public money in a way that may have resulted in a loss to the Crown. *The Provincial Auditor Act* requires us to investigate and report to the Legislative Assembly any losses to the Crown. In this chapter, we report the objectives of our investigation, our findings, and conclusions.

We report that for the period from April 1, 1998 to December 31, 2004 Environment incurred a loss of public money and a possible loss of public money totalling $500,000. Environment incurred a loss of public money of at least $260,000 and a possible additional loss of about $240,000. It was not practical for our office to verify the payments totalling $240,000. Most of these transactions related to the branch of Environment where the employee had worked for many years.

While we have completed our work to fulfill our responsibilities to the Legislative Assembly, Environment continues its investigation. Also, we understand a police investigation is ongoing independent of our work.

We concluded that Environment needs to:

- properly segregate the duties of its employees
- provide effective direction to employees
- properly oversee operations
- assess and reduce the risk of loss of public money by employees in positions of trust

We make five new recommendations for Environment to help improve its safeguarding of public money. We also continue to make three previous recommendations that Environment has not fully addressed.

Introduction

The Provincial Auditor Act requires our Office to investigate and report to the Legislative Assembly any losses to the Crown through the fraud, default, or mistake of any person. In December 2004, officials of the Department of Environment (Environment) told us that they had become aware of a possible misuse of public money by an employee. We have now completed our investigation of the alleged misuse of public money at Environment.

Also, in January 2005, the Standing Committee on Public Accounts (Committee) asked our Office to report to the Committee the results of our investigation of any loss of public money at Environment. This chapter sets out the results of our investigation.

Background

Environment is responsible for managing, enhancing, and protecting the Province's natural and environmental resources, and sustaining them for future generations. Effective April 1, 2004, Environment is organized into the following four divisions.

- Compliance, Fire and Forest Division (Compliance): responsible for field and compliance services, fire, and forest ecosystem
- Resource and Environmental Stewardship Division (Stewardship): responsible for environmental protection, Crown lands, parks, and fish and wildlife resource management
- Planning and Risk Analysis Division (Planning): responsible for key corporate strategic services including green policy development, environmental assessment, compliance and strategic planning, legislative services, and intergovernmental and aboriginal affairs
- Corporate Services Division (Corporate): responsible for strategic, operational, financial, human resource, and information management support

Environment also has a communications services branch that reports directly to the Deputy Minister. The branch is responsible for delivering strategic communications, information exchange, and coordinating communications with other government departments.

In 2004, Environment spent $178 million to deliver its programs. Information about Environment's revenues and expenditures appears in Environment's annual report and its web site (http://www.se.gov.sk.ca). The Department of Finance processes cheques for all government departments including Environment. The Department of Finance mails out cheques directly to suppliers or, upon request, sends them to Environment for distribution.

In 2000 and 2001, we recommended that Environment improve its processes to ensure it only pays for goods and services received. We recommended this because the employees at Environment did not always follow the established rules for segregating the duties of employees involved in the payment process. Also, some of the established rules did not properly segregate duties because they allowed individuals to buy goods and services, receive them, and approve invoices for payment.

Since 1998, we have also recommended that senior management of Environment define and document its compliance reporting needs. The compliance reports would show how well employees comply with laws and policies and procedures. To ensure those reports are accurate, Environment should seek independent assurance from the internal audit function on the quality of employees' compliance with laws and established policies. Environment does not have processes to receive compliance information from its managers. Nor does it seek assurance from its internal auditor. Since 2003, we have also reported that Environment needs to improve its internal auditor function.

Environment has not yet fully addressed our recommendations.

Table 1 below shows Environment's level of spending by type for the last six years.

Table 1 (in $000)

Type of Spending	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Personal Services (Salaries)	68,062	61,969	58,826	53,294	56,900	59,955
Transfers/Grants	24,812	20,957	13,612	12,848	12,271	12,586
Forest Fire Operations	50,209	59,028	25,813	20,854	47,705	66,026
Total Others	35,252	38,370	39,177	38,360	30,516	26,902
Total	178,335	180,324	137,428	125,356	147,392	165,469

What happened

In December 2004, Environment told us that an employee who worked in the resource stewardship branch (formerly sustainable land management branch) had used public money in a way that may have resulted in a loss to the Crown. Environment suspended the employee on December 6, 2004 and reported the matter to the RCMP. Environment terminated the employee on February 5, 2005.

According to Environment's initial investigation, the suspect employee misused significant amounts of money since 1998. Environment told us that its internal audit team is fully investigating this matter. Besides Environment's internal auditors, the internal audit team includes auditors from other Departments and an auditor contracted from a local accounting firm. Environment's internal audit team continues its investigation.

Objectives of our work

We set two objectives for our work. First, we wanted to determine the amount of the loss of public money. Second, we wanted to determine the conditions that allowed the loss of public money to occur and remain undetected.

Purpose and structure of our Report

The purpose of our Report is to inform the Legislative Assembly what we found and what Environment should do to better safeguard public money. We have structured this Report in two parts. In Part A, we describe the work we did to determine the amount of the loss of public money. In Part B, we describe the conditions that allowed the loss of public money to occur and remain undetected. Part B also includes our recommendations for improvement.

Part A—Loss of public money

As we stated earlier, effective April 1, 2004, Environment is organized into four divisions. Each division is further divided into three branches. Each branch is headed by a Director or an Executive Director. Upon the

Legislative Assembly's approval of the Department's budget, the Deputy Minister allocates funds to each branch. The Directors of the branches are responsible to control and monitor the spending of their branches. They also provide monthly spending reports to senior management setting out actual and planned expenses and a forecast to the year-end. The reports explain significant differences between the planned spending for the year and the spending forecast for the year.

What we did

We assessed Environment's plan to investigate the loss of public money. The plan's objectives were to determine:

- if there was a misuse of public money by the suspect employee, and if so, the extent of the misuse, and how it was carried out
- if any other employee may have carried out similar activities to misuse public money
- if Environment's processes need strengthening to prevent or detect such misuse of public money

Environment's plan was reasonable to achieve the above objectives. Environment did most of the investigative work. We examined Environment's work and findings. We did tests and other procedures we considered necessary to ensure that Environment's work was adequate.

We considered the risk of misuse of public money high for those branches of Environment where the suspect employee had worked. The suspect employee had worked in the resource stewardship branch. This branch also had poor segregation of duties and expense monitoring.

Table 2 shows the level of spending of the resource stewardship branch for the last six years.

Table 2 (in $000)

Type of Spending	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Personal Services (Salaries)	1,374	1,250	1,272	1,214	961	882
Transfers/Grants	0	0	0	2	0	0
Others	409	277	324	503	381	312
Total	1,783	1,527	1,596	1,719	1,342	1,194

What we found

Misuse of money is difficult to detect because the acts are designed to conceal the misuse. Even an audit of every transaction might not reveal all misuse of money if it is concealed by false documents, or involves collusion with other persons.

We determined that for the period from April 1, 1998 to December 31, 2004, Environment incurred a loss of public money and a possible loss of public money totalling $500,000. The loss of public money totalled at least $260,000; and the possible additional loss of public money totalled $240,000.

We found about 200 payments totalling $260,000 that resulted in a loss of public money because Environment did not receive any goods and services. The payments were described as payments for meeting rooms, equipment rentals, catering, professional services, training, travel, and translation services.

We also found about 350 further payments totalling $240,000 that might result in a loss of public money. It is not practical for us to investigate these payments further. These payments were described as payments for meeting rooms, equipment rentals, catering, professional services, training, travel, consulting, translation services, and maps.

While we have completed out work to fulfill our responsibilities to the Legislative Assembly, Environment continues its investigation. Also, we understand that a police investigation is ongoing independent of our work.

Part B—Conditions that allowed loss of public money

No system to safeguard public money can prevent or detect all fraudulent acts because the acts are designed to conceal the fraud and may involve collusion with others. A sound system to safeguard public money creates an environment where errors or frauds are either less likely to occur, or if they occur, are more likely to be detected. Through diligent planning and oversight, an agency's senior management reduces the risk of errors and fraud.

Environment incurred a loss and a possible loss of public money totalling $500,000. This resulted from poor segregation of duties and inadequate supervision of employees.

Loss of public money is more likely to occur when the following conditions exist:

- Segregation of duties is absent, weak, or loosely enforced
- Ineffective direction to staff
- Employees are poorly supervised
- Employees are hired and retained without due consideration to their honesty or integrity

We describe below our findings for each of the above conditions.

Segregation of duties

Proper segregation of duties ensures that no one employee or group of employees is in a position to perpetrate and conceal errors and fraud. A lack of segregation of duties increases the risk of loss of public money without ready detection.

Although Environment had established some policies setting out proper segregation of duties for processing payments, employees did not always follow those policies. Senior management has not established processes to assess how well employees comply with established policies. Nor does senior management receive any assurance from its internal auditor on how well employees follow established policies. We have reported for many years that Environment needs to know how well its staff comply with laws and established policies.

Some managers approved the set up of new suppliers in Environment's computer system, initiated purchases, received goods/services ordered, and approved the transaction for payment. In addition, some managers requested the signed cheques from the Department of Finance for distribution. For example, in the resource stewardship branch, managers initiated purchases, received the goods, approved invoices for payment, developed budgets, and monitored and explained differences between actual, forecast, and planned spending.

Employees at Environment routinely instructed the Department of Finance to send signed cheques to Environment without documenting the reasons for such requests. Accounting staff at Environment gave these cheques to employees that had initiated and approved the cheque requests. Returning signed cheques to those who initiated and approved the cheque requests increased the risk of loss of public money. Environment had received the signed cheques for distribution for most of the payments that we identified as a loss of public money.

Also, Environment had not properly segregated the duties of employees who sent information electronically for payment to the Department of Finance's new centralized payment system called MIDAS. Once MIDAS receives the information for payment, it generates cheques for mailing to suppliers. We noted many of the employees responsible for sending information to MIDAS could initiate purchases on-line without prior authorization and approve these payments on-line without any independent review or approval. Although Environment's policies require managers to review and approve payments before they are sent to MIDAS, we noted that managers did not always comply with the established policies.

Environment provided purchase cards with specific spending limits to certain employees. Employees used these cards to make certain purchases. Environment's electronic purchase card system did not allow for adequate segregation of duties. As a result certain employees could approve their own purchase card transactions on-line without detection.

In addition, employees did not always know the purpose of using password protection for their computers. A password restricted computer system will deny access to a user unless the user enters a designated password. To ensure the integrity and security of the electronic systems, employees must keep their passwords confidential. Some employees at Environment did not do so. It was common for employees to know their supervisors' passwords. Supervisors use their passwords to approve their staff's travel expenses on-line. Because some supervisors did not keep their passwords confidential, Environment would not know if the staff travel expenses were properly approved.

In cases where adequate segregation of duties is not possible, agencies reduce the risk of significant errors or misuse by rigorously supervising operations. Sound budgetary controls are essential ingredients of good supervising practices. Budgetary controls include budgeting and forecasting processes, and analyzing differences between the actual and budget expenses.

1. **We recommend the Department of Environment properly segregate the duties of the employees responsible for collection, receipt, disbursement, or expenditure of public money.**

Environment told us that management has begun the process to improve the segregation of duties throughout the Department. Environment told us that this process includes the review of current segregation of duties throughout the key financial systems as well as communication of the importance for the need for segregation of duties to all staff.

Effective direction to employees

Environment has various operating policies and procedures manuals that provide some guidance to its employees. The manuals include directions to employees on how to initiate and process payments. Environment has also established an authority grid. The authority grid sets out who has the authority to initiate and approve payments and the maximum amount and the nature of transactions they can approve. Environment revised its authority grid in June 2004. The current authority grid is adequate. However, the authority grid in place prior to June 2004 did not provide for adequate segregation of duties for processing payments.

Also, Environment did not communicate to its employees the reasons for allowing deviations from standard policies when the manuals allow for such deviations. Nor did the employees responsible for requesting cheques from the Department of Finance always know what approval they must obtain before doing so.

Accounting staff responsible for requesting cheques did not ensure that they requested cheques only for those payments that had proper approval and support. Accounting staff could not identify the approver of some payments that we examined. Some accounting staff told us that they processed payments that had evidence of approval without checking the authority of the approver. Environment should ensure that accounting staff process only those payments that are properly authorized and supported. Environment can do that by providing necessary training/guidance to them and establishing a culture of fraud awareness for all employees.

We also noted many employees asked accounting staff to add new suppliers on the Department of Finance's payment system. Most of these requests did not have adequate supporting documents and accounting staff did not question the reasons or authority for setting up new suppliers. Accounting staff did not do so because Environment had not communicated to staff who could add new suppliers and what support they needed.

Well-managed agencies provide fraud awareness training to their employees. Environment should provide such training to its employees. Fraud awareness training would help Environment in establishing a culture of fraud awareness. It would also help employees in detecting and preventing internal and external frauds.

To ensure its employees perform duties in accordance with established policies, Environment should tell employees the reasons for doing certain tasks in certain ways. Employees are more likely to follow established policies when they know the reasons for those policies.

2. **We recommend the Department of Environment clearly communicate to its employees its operating policies and ensure that its employees understand the reasons for the policies.**

3. **We recommend the Department of Environment train its employees to help establish a culture of fraud awareness.**

Environment told us that management is in the process of delivering training to all staff. Environment also told us that this training will focus on a number of financial operating processes as well as its delegated signing authority standards.

Environment also told us that it has delivered fraud awareness and internal control training to its senior management group, and finance.

administration, and parks branches. Environment further told us that it plans to continue to deliver such training to all of its other branches.

Overseeing operations

Since 1999, we have recommended that Environment define and document its compliance reporting needs. The compliance reports would show Environment's compliance with laws and policy manuals. Environment has not yet addressed our recommendation.

Environment requires its branch managers to monitor monthly spending and explain differences between the actual, forecast, and planned spending. We interviewed senior officials of all branches of Environment. Some managers documented what they did and some left no evidence of their work. Managers documented their work inconsistently because Environment had not established and communicated a clear policy setting out who should do such monitoring and how.

Environment did not know how well the branches monitored their spending or if employees followed the established policies and procedures. Senior management did not know this because it did not ask the internal auditor to examine and report on the quality of compliance by the employees.

In addition, we found many instances where one person both initiated and approved payments. Generally, Environment's policies do not allow this practice. However, staff routinely processed such payments. Senior managers did not know the extent of this practice.

As we said earlier, Environment is decentralized. Decentralized agencies cannot always monitor staff compliance routinely. Such agencies usually rely on assurances from their internal auditors. Environment has an internal audit function. However, internal audit has not provided senior management any assurances on the quality of employees' compliance with policies and procedures. Internal audit focuses its work towards monitoring forestry management agreements.

To ensure that the internal auditor's work covers the key operational areas, the internal auditor's plan should include a risk assessment of all of Environment's programs and activities. In 2003, we recommended that the internal auditor prepare its plan based on a complete risk assessment of Environment's programs and activities. Also, we recommended that management receive the internal auditor's reports as planned and act promptly to remedy any deficiencies reported. Environment has not yet addressed our recommendations.

We continue to recommend the Department of Environment define and document its compliance reporting needs. In January 1999, the Standing Committee on Public Accounts (PAC) agreed with this recommendation.

We continue to recommend the Department of Environment ensure the internal auditor prepares its audit plan based on a complete risk assessment of the Department's programs and activities. In May 2004, PAC agreed with this recommendation.

We continue to recommend the Department of Environment receive the internal auditor's report as planned and act on any recommendations. In May 2004, PAC agreed with this recommendation.

Hiring practices

Environment uses hiring practices established by the Public Service Commission. While those practices require the Department to screen prospective employees, they do not require the Department to do a criminal record check for certain prospective employees. Criminal record checks would be useful to determine the suitability of applicants for the position being filled. Currently, criminal record checks are mandatory for certain employees working in other government agencies.

Criminal record checks are a good source of information for an employer to assess if the individual's past behaviours align well with the requirements of the job. Criminal record checks, however, do not guarantee an individual's future behaviour and honesty. To address this risk, agencies buy insurance policies (fidelity bonds) to help protect them from any losses resulting from employees' behaviour or dishonesty.

To protect public money, the Legislative Assembly passed legislation for bonding of public officials. *The Public Officials Security Act* (Act) requires:

> ...every public official shall... enter into a bond or other security for the due performance of the trust reposed in him and for his duly accounting for all public moneys entrusted to him or placed under his control or that may come into his hands.

Under the Act, a public official means "a person appointed to an office or employment by or under the Government of Saskatchewan, wherein he is concerned in the collection, receipt, disbursement or expenditure of public money". The Act also gave Cabinet authority to accept a bond from Saskatchewan Government Insurance (SGI) as a guarantee for the due performance of duties by public officials subject to the requirements of this Act. This bond substitutes for the need for public officials to provide individual bonds.

Insurance companies offer various types of fidelity bonds to protect employers from losses resulting from employees' behaviour or dishonesty. Individual bonds and blanket bonds are fairly common. Individual bonds cover each named employee. The insurers do due diligence about the individual before bonding and sometimes after bonding. Individual bonds are relatively expensive and difficult to obtain. Blanket bonds cover specific positions in an agency. The insurers do due diligence about the agency rather than employees holding positions in the organization. Blanket bonds cost less but are less effective unless supplemented by criminal record checks.

The Act requires all public officials to provide a bond. However, Cabinet under the authority of the Act has arranged a blanket bond with SGI to substitute for individual bonds. This blanket bond covers all departmental positions for a standard coverage of $20,000 per position. The standard coverage has remained $20,000 since 1970.

Also, under the current bond, departments can ask for special additional coverage for positions that handle cash or other valuables. Environment does not have additional coverage for any specific position.

To reduce the risk of loss of public money, Environment should assess if it needs to seek additional bond coverage for those employees who hold positions of trust (responsible for the collection, receipt, disbursement, or expenditure of public money). Environment should also assess if the standard coverage is appropriate. Alternatively, it should consider supplementing the current bond by doing criminal record checks for all employees who hold or will hold positions of trust.

4. **We recommend the Department of Environment assess if the Government's standard blanket fidelity bond (insurance) coverage reduces its risks of loss to an acceptable level.**

5. **We recommend the Department of Environment assess the risk of loss of public money by employees in positions of trust (responsible for collection, receipt, disbursement, or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).**

Environment told us that management will assess the Government's blanket fidelity bond coverage in light of the risk of financial loss within the Department. Environment also told us that management will assess the risk of loss of public money to employees in positions of trust and will focus on reducing this risk to an acceptable level.

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Government Relations and Aboriginal Affairs

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Main points

When Cabinet disestablished the Department of Government Relations and Aboriginal Affairs (Department) effective October 1, 2004, it continued the programs of the Department under two new departments—the Department of Government Relations (Government Relations) and the Department of First Nations and Métis Relations (First Nations and Métis Relations).

While this chapter notes some progress, it reports our continued concerns in the following two areas.

First, the Department was not doing enough to monitor spending by certain First Nations organizations (i.e., First Nations Trust and community development corporations). Each year under an agreement that the Department has with the Federation of Saskatchewan Indian Nations, it provides these organizations with significant public money (e.g., over $23 million in 2003-04). Under the agreement, these organizations must use this money for social, cultural, economic, or other charitable purposes for First Nations people.

First Nations and Métis Relations has assumed responsibility of this arrangement. First Nations and Métis Relations must use its processes to monitor the spending of these organizations. In addition, it must ensure timely corrective action is taken in instances where these organizations do not spend the money as required by law.

Second, the Department needed to make further progress on its supervision of one of its special purpose funds—the Northern Revenue Sharing Trust Account (Account). It used this Account to pay for the services it delivers to communities in the Northern Saskatchewan Administration District.

Government Relations has assumed responsibility for the Account. Government Relations has made limited progress in addressing our previous recommendations to better supervise the operations of the Account. In addition, Government Relations must improve controls over the Account's purchasing of goods and services through charge accounts and its security of information systems.

Introduction

Up to September 30, 2004, the Department of Government Relations and Aboriginal Affairs managed the Province's relations with other governments within Saskatchewan, Canada, and abroad. The Department:

- worked with Aboriginal peoples and their organizations to advance common interests
- worked with communities to support local governance, provide financial and technical support, and develop laws and other policies in response to the changing needs of municipal governments
- coordinated matters related to Government House, French-language services, official protocol, and provincial honours
- provided administrative services to the Office of the Lieutenant Governor and Department of Culture, Youth and Recreation

The Department's web site contains its annual reports, other key publications, and agreements and further information about its programs. It is located at http://www.graa.gov.sk.ca/.

Effective October 1, 2004, Cabinet disestablished the Department. Its programs are continued under the Department of Government Relations or the Department of First Nations and Métis Relations.

Related special purpose funds and agencies

At September 30, 2004, the Department was responsible for the following special purpose funds and agencies:

	Year-end
First Nations Fund	March 31
Government House Foundation	March 31
Métis Development Fund (Development Fund)	December 31
Municipal Potash Tax Sharing Administration Board (Board)	December 31
Northern Revenue Sharing Trust Account (Account)	December 31

Each year, the Legislative Assembly (Assembly) receives the annual audited financial statements of each of the above. For agencies, the

Legislative Assembly receives an annual report. These are available at http://www.gov.sk.ca/finance/.

Financial overview

For the year ending March 31, 2004, the Department spent $187.0 million and had revenues of $11.9 million (including $10.9 million from the federal government for the Canada-Saskatchewan Infrastructure Program). The following is a list of major programs and spending for the year ended March 31, 2004 obtained from the Department's *Annual Report 2003-2004*. This report explains significant differences between the Department's planned and actual revenue and expenses.

	Original Estimates	Actual
	(in millions of dollars)	
Administration	$ 3.1	$ 3.0
Accommodation and Central Services	2.1	2.1
Intergovernmental Relations	3.5	3.2
Aboriginal Affairs	56.1	54.4
Municipal Financial Assistance	117.9	116.5
Municipal Relations	4.9	4.9
Provincial Secretary	1.6	1.9
Saskatchewan Municipal Board	1.1	1.0
	$ 190.3	$ 187.0

For the six-month period ending September 30, 2004, the Department spent $130.7 million and had revenues of $1.4 million.

Audit conclusions and findings

This section sets out the results of our audits of the Department for the eighteen-month period ending September 30, 2004, and of the Development Fund, Board, and Account with years ended on December 31, 2004. It does not include the results of our audit of the Account's 2004 financial statements. We have not completed our audit of the Account's financial statements because management has not finalized the financial statements.

We last audited the First Nations Fund for its year ending March 31, 2002. Since that time, the Trustees of the First Nations Fund have denied us access to the Fund's accounts.

In our opinion for the fiscal years ended on or before December 31, 2004:

- the Department, Development Fund, Board, and Account had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter
- the Department, Development Fund, Board, and Account complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter
- the Development Fund and Board had reliable financial statements

To form the above opinions related to the Development Fund, we worked with Deloitte & Touche LLP, its appointed auditor. To do our work, we used the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (available at http://www.auditor.sk.ca/rrd.html).

The following section sets out our detailed audit findings.

Audit findings—Department

Better monitoring of spending by First Nations Trust and community development corporations needed

The Department did not follow all of its processes to ensure the First Nations Trust (Trust) and community development corporations (CDCs) spend public money as required by law.

The Department pays (as required by the 2002 Framework Agreement (Agreement)[1]) money to the Trust and CDCs. There are four CDCs—Painted Hand, Bear Claw, Gold Eagle, and Northern Lights. For the eighteen-month period ended September 30, 2004, the Department provided the Trust with $27.1 million (2003-04: $16.2 million, 2002-03: nil) and the four CDCs with $10.9 million (2003-04: $7.2 million; 2002-03: $6.7 million).

The Agreement restricts the purposes for which the Trust and each CDC can spend these monies. In general, the Trust and the CDCs must use the money for social, cultural, economic, or other charitable purposes. For the Trust, the programs must be for First Nations people. For CDCs, each must fairly and equitably distribute the money among First Nations and non-First Nations organizations within and surrounding its community. Each is required to have adequate processes to properly account for and control this money.

Under the Agreement, the Department is entitled to information from the Trust and each CDC to ensure the Trust and each CDC properly manage public money and spend it only as permitted. Our 2003 Report – Volume 3 outlined the nature and type of information the Department required from the Trust and each CDC.

The Department set procedures to review and follow up requested information in 2002-03. These procedures are reasonable. The procedures help staff decide on potential corrective actions depending upon the nature of the breach, the amount of money involved, and the overall level of compliance. For severe breaches, staff recommend actions for the Minister's approval. See Exhibit 1 for a summary of the Department's processes. The Department did not hire additional staff in 2003-04 to administer this process as it had previously planned.

The Department requested the information to which it is entitled. It set clear deadlines for receipt of information (i.e., July 31 for CDCs and

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[1] The 2002 Framework Agreement is a 25-year agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN). It provides for FSIN to establish a trust and for four Tribal Councils to set up Community Development Corporations (CDCs) each located within their communities. It sets out the portion of annual net profits of the casinos operated by Saskatchewan Indian Gaming Authority that the Trust and CDCs are eligible (i.e., 37.5% - Trust; 25% from on-reserve casinos - CDCs).

August 31 for the Trust). Some of its requests were not timely or made as expected. For example, it wrote to the Trust's auditor two months after the Trust's fiscal year-end to indicate the audit reports it required. Although it reminded CDCs in writing of their audit and reporting responsibilities, it did not provide the auditors of CDCs with a similar letter.

Exhibit 1

The Department's processes to monitor the First Nations Trust and each CDC (entity) include the following.

Each January/ February:

- Reminds the auditor of each that audit reports must address whether related entity has appropriate rules and procedures to ensure the following:
    - fair and equitable distribution of money
    - money is expended for purposes set out in related agreement
    - all moneys are accounted for
    - Trustees/Directors charge reasonable fees and expenses
    - Trustees/Directors follow conditions set out in related agreement
- Advises each entity's auditor of the Department's plans to rely on their work and reports

By July 31:

- Reminds each entity to submit required information by required dates (e.g., audited financial statements, management letter issued by auditor including response thereto, and annual report, if not already received)

Each August:

- Reconciles amount reported in each entity's audited financial statements to the amount the Department paid
- Assesses information in reports from each entity and its auditor to identify non-compliance with related agreement and whether department agrees with the entity's related corrective plans, if any
- Advises entity of actions the Government expects it to take and by when

Each October:

- Reviews content of entity's annual report to assess compliance with related agreement

The Department must work closely with the Government-appointed *ex officio* member of the Board of each CDC to identify any concerns with the operations of the CDCs.

The Department must make all key communications to the entity in writing. In addition, it must initiate follow-up actions that respond to the severity of the issue. Its procedures help staff decide on the necessary follow-up actions. Actions may include: writing the entity (e.g., reminders outlining requirements, directing specific actions within specified timeframes), initiating direct meetings with trustees/directors of entity to review issue and jointly develop corrective plan acceptable to department, and recommending to the Minister the delay or withholding of payments to entity.

Responsibility for this program transferred to First Nations and Métis Relations on October 1, 2005. The Department did not review information it received when it should have. For example, although the Department received most of the requested reports from the Trust in mid-September, First Nations and Métis Relations did not review the reports until early December 2004. Then, it asked the Trust, by way of letter, to outline, in writing, its efforts to address the serious concerns raised in the reports. It did not set out when it expected the Trust to provide this information.

Even though the Department reminded each CDC of their reporting obligations in writing in April, not all CDCs provided the Department with the requested information when expected. For example, by early December:

- one of the four CDCs did not submit its 2003-04 audited financial statements or management letter issued by its auditor
- three of the four CDCs did not submit 2003-04 annual reports. For the one CDC that did submit an annual report, the report was not complete
- two of the four CDCs did not submit the required 2003-04 audit report on the adequacy of the CDCs' processes over receipt and allocation of money they receive and use of money as required

In early December, First Nations and Métis Relations reminded the CDCs that had not provided any 2003-04 reports to provide such reports by December 31.

Timely review of information is critical. It helps ensure the Department receives information as required, identifies problems as quickly as possible, and takes corrective action promptly to reduce the risk that public money is spent inappropriately.

The Department's corrective action was not always consistent with the nature of the breach, the amount of money involved, and the overall level of compliance. During the year, the Department delayed payments to one CDC until the CDC submitted its 2002-03 reports. However, when the same CDC had not provided its 2003-04 reports by early December 2004, First Nations and Métis Relations has not yet taken similar action. It continued to make the quarterly payments to this CDC.

In a second example, the Department was advised in September that the Trust did not have sufficient rules and procedures to ensure, first, that the Trust spends money only for the purposes set out in the Trust Indenture, and, second, that recipients of money from the Trust only use this money for the purposes set out in the Trust Indenture. At mid-December, First Nations and Métis Relations had not followed its processes. It had not completed its review of the information received or determined necessary corrective action (e.g., meet with the trustees to review the situation and jointly develop a plan for remedying the situation or recommend delay of quarterly payments).

Because of the deficiencies noted, the Department does not know if the Trust and all of the CDCs spent public money as the law intended. As a result, we do not know if the money the Department provided to the First Nations Trust and all of CDCs was used as the law expects.

1. **We recommend that the Department of First Nations and Métis Relations follow all of its processes to ensure the First Nations Trust properly protects public money and spends it as required by law.**

We continue to make the following recommendation to which The Standing Committee on Public Accounts agreed on June 15, 2004. We recommend the Department of First Nations and Métis Relations ensure it receives sufficient and timely information from each community development corporation to determine:

- if each corporation properly managed public money
- spent it only as permitted by law

In March 2005, First Nations and Métis Relations advised us that it has hired a full-time professional accountant who will be responsible for monitoring spending by the Trust and CDCs. In addition, it noted that by March 2005 it had received the 2003-04 annual reports from two of the three CDCs.

Concerns over First Nations Fund continue

The matters reported in Chapter 7 of our 2003 Report – Volume 3 about the adequacy of the First Nations Fund's processes, its compliance with the law, and reporting continue. We continue to recommend:

- the Department supervise the Trustees of the First Nations Fund to ensure the Trustees spend public money with due care and in accordance with *The Saskatchewan Gaming Corporation Act* (Act)
- the Department provide our Office with the necessary access to the accounts of the First Nations Fund

The Standing Committee on Public Accounts agreed with the above recommendations on November 5, 2002, and June 15, 2004 respectively.

The Department has provided the First Nations Fund with $51.9 million since 2001. As the revised Act expected, the Department stopped making payments to the First Nations Fund in July 2003.

Although the Department wrote and discussed concerns with the Trustee's legal adviser, it has not been successful in receiving sufficient information to oversee the Fund. Also, the Department has not obtained access to the records of the Fund for our Office.

In addition, the Trustees of the Fund have not met the reporting requirements of the Act. The Act requires the Trustees of the First Nations Fund to submit financial statements, in a format approved by Treasury Board, to the Minister by a set date (i.e., June 29th) and the Minister to table the statements in the Assembly 30 days after receipt (i.e., July 29th).

The Minister tabled the Fund's 2003 financial statements in the Assembly late (i.e., on March 26, 2004 instead of July 29, 2003) and without the required approval of Treasury Board. Treasury Board did not approve the 2003 statements because the Trustees denied our Office access to records of the Fund since the 2002 audit. At December 2004, the Minister had not yet received the 2004 financial statements of the Fund. The Minister received these statements in February 2005.

Without access to the records of the Fund since the March 31, 2002 audit, we cannot complete the audits of the Fund. As a result, we do not know if the Fund adequately safeguarded public money, complied with the law, and prepared reliable financial reports.

Audit findings—Northern Revenue Sharing Trust Account

Background

The Northern Municipalities Act (Act) establishes The Northern Revenue Sharing Trust Account (Account). The Act makes the Department of Government Relations (formerly Department of Government Relations and Aboriginal Affairs) responsible for administering the Account. In addition, Cabinet appoints an eight-member advisory board to advise the Minister on the allocations of northern revenue sharing grants, northern capital grants, and any changes to the law concerning the Account.

The Account includes all revenues of the Northern Saskatchewan Administration District (a designated area in the northern part of the Province) and money appropriated by the Assembly for the purposes of northern revenue sharing and grant programs.

The Account primarily provides money to northern municipalities for operations, water and sewer systems, and municipal facilities. In 2003, the Account had revenues of $16.8 million, expenses of $17.0 million, and held assets of $32.8 million as at December 31, 2003.

Monitoring operations

Over the last few years, we recommended that the former Department of Government Relations and Aboriginal Affairs set out the reports it needs to adequately monitor the Account's operations and set up a process to oversee the Account's operations. The Standing Committee on Public Accounts (PAC) considered this matter in January 2005 and agreed with our recommendations.

Government Relations has not set out the key information (i.e., financial, operational, and compliance) that it must receive regularly from staff that manage the Account.

Staff prepare financial reports quarterly. However, those reports continue to be inadequate. They do not include the following: all revenues from lease fees, amounts the Account owes to others, amounts others owe to the Account, and information on cash flows. Also, the reports do not adequately explain differences between the actual and planned results.

Agencies need complete, accurate, and timely reports to make decisions. Without such reports, management may make incorrect decisions.

Government Relations has not established a process to oversee the Account. It does not have an adequate process to review reports that the Account's staff prepare. Government Relations needs to monitor the Account's operations to help ensure that the Account is operating effectively and meeting the goals set out in its strategic plan.
We continue to recommend that Government Relations:

- set out the reports it needs to adequately monitor Northern Revenue Sharing Trust Account's operations
- set up a process to oversee Northern Revenue Sharing Trust Account's operations

Business plan needed

Last year, we recommended that the former Department of Government Relations and Aboriginal Affairs:

- prepare a strategic plan for the Account setting out its goals, objectives, and priorities
- approve an annual business and financial plan (budget) for Account before the beginning of its fiscal year

PAC considered this matter in January 2005 and agreed with our recommendations.

We are pleased to report that Government Relations has prepared a strategic plan for the Account. Government Relations prepared the 2004 business plan and budget for the Account. However, the business plan is not complete because it does not address all of the Account's strategic objectives.

A complete business plan would align the Account's budget to its strategic objectives and describe how financial resource requirements, outlined in the budget, meet the Account's objectives. As a result, Government Relations does not know if it approved adequate resources for the Account to meet its objectives.

We continue to recommend that Government Relations approve an annual business and financial plan for the Northern Revenue Sharing Trust Account before the beginning of its fiscal year.

Policies and procedures needed

Over the last few years, we recommended that the former Department of Government Relations and Aboriginal Affairs establish processes to record transactions in the accounting records and prepare financial statements for the Account. PAC considered this matter in January 2005 and agreed with our recommendation.

Agencies need accounting policies and procedures to provide staff with guidance in completing their tasks. This helps to safeguard public money and ensure that records are complete and accurate for decision-making. When accounting policies and procedures are not clear and complete, there is a risk that staff may make errors without timely detection.

Government Relations has established and documented some procedures to record transactions in the Account's accounting records. However, Government Relations has not established and documented all procedures to ensure the Account's financial records are complete and accurate.

We continue to recommend that Government Relations establish processes to record transactions in the accounting records and to prepare accurate financial statements for the Northern Revenue Sharing Trust Account.

In April 2005, management told us that Government Relations has now completed drafting most of the policies and procedures for the Account.

Written agreement required

Under the Act, revenues from lease fees on lands in the Northern Saskatchewan Administration District and proceeds from land sales belong to the Account. The Department of Environment (Environment) administers these leases and land sales for the Account. Environment bills, collects, and maintains records of these revenues for the Account. Government Relations pays Environment $430,000 annually for this work. Government Relations does not have a written agreement with Environment to administer lease and land sales for the Account.

Last year, we recommended that Government Relations document its agreement with Environment to administer lease and land sales for the Account. PAC considered this matter in January 2005 and agreed with our recommendation.

Government Relations told us that it is developing a written agreement with Environment to specify their respective roles and responsibilities.

We continue to recommend that the former Department of Government Relations and Aboriginal Affairs document its agreement with the Department of Environment to administer lease and land sales for Northern Revenue Sharing Trust Account.

Purchase of goods and services using charge accounts need controlling

Government Relations needs to strengthen its controls over purchases of goods and services using charge accounts. Government Relations needs to do this to ensure only authorized individuals can use those accounts.

To facilitate purchases from local suppliers, Government Relations authorized the Account to establish charge accounts with local suppliers. However, Government Relations has not established an adequate process to ensure only authorized individuals make purchases through those charge accounts.

We found that Government Relations did not always notify the suppliers of changes to the list of individuals authorized to use the charge accounts. Lack of prompt notification to charge account suppliers increases the risk that Government Relations might pay for goods it does not receive.

Government Relations does ensure proper approval for purchases before paying suppliers and we did not find any improper payments during our audit. However, Government Relations may not be able to recover the charges if an unauthorized person used the charge accounts for the Account because of delayed notification to the suppliers.

2. **We recommend that the Department of Government Relations promptly notify suppliers of officials authorized to buy goods using its charge accounts.**

Information technology security policies and procedures needed

Government Relations needs to improve information technology (IT) security to prevent unauthorized access to the Account's financial system.

Good security is critical to the successful use of IT. If security is poor, Government Relations risks not having accurate and reliable information to achieve its goals. Government Relations needs to protect the Account's information from unauthorized disclosure, accidental or deliberate changes, and accidental or deliberate destruction. Also, Government Relations must ensure that the Account has adequate procedures to recover from system interruptions.

Government Relations told us that it has drafted IT security policies and procedures. However, the staff at the Account either do not know the procedures or do not follow Government Relation's policies.

Staff did not regularly update and maintain passwords that prevent unauthorized access to the Account's financial records. Also, the Account did not have adequate physical security for the main computer server. The main computer server is located in an unsecured location.

3. **We recommend that the Department of Government Relations clearly communicate its information technology security policies to staff responsible for the Northern Revenue Sharing Trust Account and ensure compliance.**

Management has told us that Government Relations has now made the Account staff aware of the drafted IT security policies.

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Learning—Accountability of school boards

9

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Main points

The complexity of accountability relationships in the education sector makes it difficult to understand who is responsible to whom and for what. The Saskatchewan Minister of Learning is accountable to the Assembly for the overall quality of pre-Kindergarten to Grade 12 education in Saskatchewan and its cost. Locally-elected school boards are responsible for helping to deliver that education. School boards are accountable to the Minister but also to their local electorates.

Our Office has recommended that the Department of Learning provide legislators with a clear description of the accountability relationships between the Department and key provincial educational agencies, including school boards. Accountability that is clearly described helps delineate key roles and responsibilities. The importance of education and its cost reinforce the need for clear accountability relationships.

This chapter highlights the relationships between school boards and governments in six provinces. It describes common issues and identifies alternate approaches to school board accountability. It focuses on relationships in five key areas: curriculum, student achievement, teacher certification, facilities, and paying for education.

As the stakeholders in the Saskatchewan education system consider changes to accountability, we encourage those involved to ensure that accountability for education is clear and transparent. Also, we encourage the Government to ensure that Saskatchewan's legislation provides a solid foundation for the accountability to make it sustainable over time.

Introduction

The Department of Learning (Department) works with locally-elected school boards to educate about 170,000 Kindergarten to Grade 12 students. Each year, the Department and school boards spend over $1 billion on pre-kindergarten to Grade 12 programs (about $550 million comes from the Department and $600 million from local property taxes levied by school boards).

In common with other provinces, the Minister of Learning (Minister) is responsible for the overall quality of pre-Kindergarten to Grade 12 education. Also in common with many other provinces, Saskatchewan residents elect school boards. While the school boards are accountable to their local electorates, they are also accountable to the Minister of Learning. This increases the complexity of the relationships in this sector. This complexity makes it difficult to understand who is responsible to whom and for what.

Since 1998, our Office has recommended that the Department of Learning provide legislators and the public with a clear description of the accountability relationships between the Department and key provincial educational agencies.[1] In 1999, the Standing Committee on Public Accounts supported this recommendation. It recommended the Department continue to work with school boards to improve their public accountability with respect to the goals of education. A clear description will foster a better understanding of these relationships. This will help legislators and the public to assess the performance of the Department and its key partners, including school boards.

Focus of study

This study describes common issues in school board accountability. It identifies alternate approaches to school board accountability in provincial jurisdictions and sets out recurring issues. The information provided is to foster discussion and improve legislators' and public's understanding of the state of school board accountability across Canada.

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[1] Provincial Auditor Saskatchewan, 2003 Report – Volume 3, Chapter 4—Learning, p.117.

Approach

This study focuses on accountability relationships between legislative assemblies, ministers, departments, and school boards in six provinces. These are: Nova Scotia, Ontario, Manitoba, Alberta, British Columbia (BC), and Saskatchewan.

Legislation serves as a foundation for public institutions. As such, the study looked at key provincial legislation and regulations as its primary source of assignment of roles and responsibilities of assemblies, ministers, departments, and school boards.

The study did not include the following:

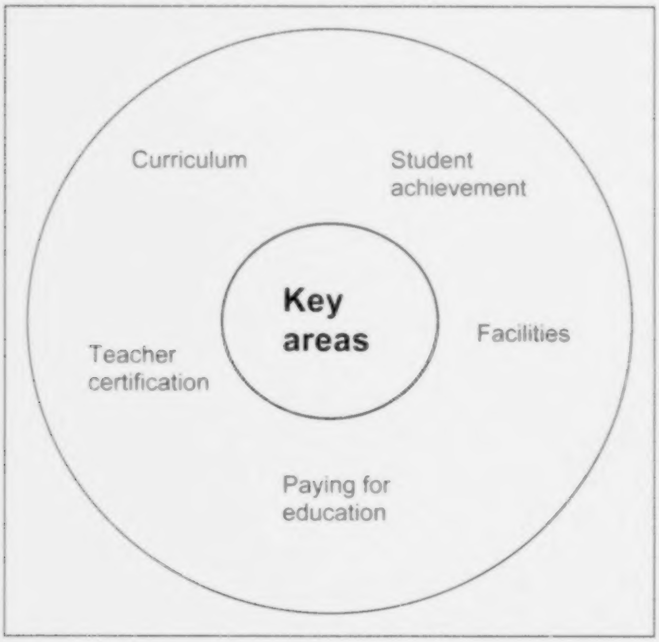
- an examination of relationships within school boards (e.g., superintendents, teachers, and parents)
- review of the many collective agreements between ministers and teachers, and between school boards and teachers
- review of detailed policies in and practices of each jurisdiction
- assessment of relationships with private, independent, or charter schools

The study augmented its review of legislation with review of various publications such as departmental annual reports and business plans, reports on student achievement, other publications available primarily on provincial education web sites, and reports of other provincial legislative audit offices.

When this study refers to "minister," it means the minister responsible for pre-Kindergarten to Grade 12 education in the related province.

In its analysis, the study broke the education system into five key areas—curriculum, student achievement, teacher certification, facilities, and paying for education (see Exhibit 1). Each of these areas is key to the education system and can affect the quality of education and in turn, its overall performance.

Exhibit 1—Key education areas



To help assess relationships in each of the above five key areas, the study used elements from the Accountability Cycle. (See Exhibit 2 at the end of the report for the Accountability Cycle.)

Accountability issues

For overall accountability for performance as well as each of the above five key areas of responsibility, this section:

- describes each area (in italics)
- sets out common issues related to the area
- highlights approaches across the six provinces
- notes Saskatchewan's approach

Overall performance

Accountability is a relationship based on obligations to demonstrate, review, and take responsibility for performance, both the results achieved in light of agreed expectations and means used.[2]

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[2] Office of the Auditor General of Canada, December 2002 Report — Chapter 9.

The accountability relationships between school boards, the minister, and the assembly vary across Canada. In all provinces reviewed, boards are locally-elected. In four of the six provinces reviewed (BC, Alberta, Ontario, and Nova Scotia), school boards are primarily accountable to the minister. In these provinces, ministers specify the reporting required of the boards and can direct how the boards must use the funds provided. In the remaining two provinces (Manitoba and Saskatchewan), ministers can influence school boards by setting conditions on the money they provide. The assemblies in all of the provinces hold ministers accountable for the education system as opposed to the school boards.

Table 1

	BC	**Alberta**	**Sask.**	**Manitoba**	**Ontario**	**Nova Scotia**
Number of school boards	76	62	81	36	100	8
Approximate number of students (in thousands)	606	590	170	187	2,000	149
Primarily accountable to Minister	Yes	Yes	No	No	Yes	Yes

Source: Information available on related provincial web site at May 2005.

The BC Provincial Government introduced a new accountability framework for education in 2002. The Minister sets the province-wide curriculum and is responsible for overall planning and for setting standards for student performance. The Minister allocates funds to the boards. The Minister reports to the Assembly and the public on the results achieved by the education system. Although the Minister is responsible for setting overall direction and standards for student performance, each school board is held accountable for improving student achievement. The school boards are required by legislation to submit specific plans with improvement targets to the Minister every year.

The Alberta education system changed significantly in the mid-1990s when the Provincial Government introduced a new government-wide accountability framework. The Minister publishes a three-year plan for the education system. The Minister assesses and reports annually to the Assembly and the public on results compared to the plan. The Minister sets out guidelines for school board plans, and allocates funds to boards.

Boards must report to the Minister and to the public on their own three-year plans.

The Manitoba Minister has overall control of education. The Minister sets overall priorities and policy for the education system. Boards are responsible to provide public schooling within the Minister's guidelines. The Minister requires boards and schools to submit summaries of their annual plans. The boards and schools report on their outcomes for the previous year and current year priorities and target outcomes. The Minister can make regulations about what the education system reports.

The Ontario education system has also seen significant changes. Since 1996, a separate Crown agency, the Education Quality and Accountability Office (EQAO) must report on the accountability, quality, and effectiveness of the Ontario education system. The Ontario Government introduced a curriculum in the late 1990s for use in all schools. It also eliminated Grade 13. The Minister sets policies and guidelines for boards. The Minister allocates funds to the boards. These boards are not directly accountable to report to the Minister on the effectiveness with which they deliver education or their use of funding. The Minister can withdraw or require repayment of a grant if a board does not follow the Minister's acts, regulations, policies, directives, or guidelines.

Accountability within the Nova Scotia education system also changed significantly in 1995-1996 and in 2002. Nova Scotia school boards are accountable to the Minister and responsible for the control and management of public schools within their jurisdiction. Boards must report to the Minister each year. The Minister sets the content of these reports. Key reports include: business plans, budgets, audit management letters, audited financial statements, and annual reports. The Minister must report to the Assembly and to parents annually on student achievement.

In Saskatchewan, as described later, the Government is working with school divisions to reduce the number of school divisions from 81. Saskatchewan will have 34 elected school boards with about 170,000 students. The Minister must report annually to the Assembly and the public in the form of an annual report. The Government recently required the Department through government policy to publicly report against its performance plan for the learning sector—this includes the performance of the pre-Kindergarten to grade 12 education system. The Minister sets the curriculum. Each board prepares a report annually that is available to the public. Neither legislation nor the Minister set the content of these reports. Boards are not required to report on their delivery of the curriculum.

Curriculum

The curriculum guides what students are taught and when. Approaches to setting who is responsible for curriculum vary among the provinces. Provincial governments must balance providing local input into setting the curriculum and providing students with consistent education across the province.

Across the provinces, the different education systems reflect differing views as to who is in the best position to assess curriculum delivery, and on who should provide information on the effectiveness of curriculum to whom. In all provinces, ministers set the curriculum, with varying processes to obtain input from school boards. In all of the provinces, public reports provide some insight into the effectiveness of curriculum.

Table 2

Minister is *primarily* responsible for:	**None**	**Some**	**Most**	**All**	**Is assignment of responsibility clear in law?**
Setting content of curriculum				X	Yes
Monitoring / evaluating effectiveness of curriculum			X		Sometimes
Reporting *to public* on effectiveness of curriculum				X	Not often
Reporting *to Assembly* on effectiveness of curriculum		X			Sometimes – most report as part of ministry's / department's annual report

In each province, ministers have clear responsibility for setting the curriculum that describes what students must study to achieve grade 12. In most provinces, legislation gives the minister ultimate authority for approving specific courses of study. Boards are, in some cases, able to create or approve additional courses, but most often this is subject to final approval by the minister.

In general, legislation does not consistently set out who is responsible for monitoring the delivery of the curriculum. The responsibility, if assigned, varies. In four of the provinces (i.e., Ontario, Manitoba, Alberta, and BC), the minister has legislative authority for evaluating educational programs. The minister may have staff working in the field monitoring the use of curriculum by school boards and schools (e.g., regional education officers in Nova Scotia, and regional superintendents in Saskatchewan). In Nova Scotia, for example, the regional education officers are appointed pursuant to legislation.

Boards are, in some cases, responsible to review effectiveness or must cooperate in the minister's evaluation process. For example, BC school boards review all education programs. BC also uses teams to review whether school boards meet expectations in ten areas related to school and district improvement. These teams, called District Review Teams, include educators, parents, and Ministry staff.

Responsibility for reporting on delivery of the curriculum varies. Legislation does not, in most provinces, set out clear requirements for reporting on the effectiveness of curriculum to the Assembly. For example, Manitoba boards must report on effectiveness to their communities. The BC Minister must report on the state of education and the effectiveness of educational programs to the Assembly. In Ontario, EQAO, a Crown agency, publishes reports on the quality and effectiveness of elementary and secondary education.[3] Alberta boards report to the public on the progress of their three-year education plans—this may include information on curriculum effectiveness.

Ministers of some provinces provide information on the effectiveness of curriculum delivery in their annual reports tabled in the Assembly. For example, the Alberta Minister tables both its business plan and education results. In Nova Scotia, the Minister reports to the Assembly and public on the achievements and goals in its business plan.

In common with other provinces, the Saskatchewan Minister is responsible for setting the curriculum. Departmental staff must work with boards to monitor use of the curriculum. Unlike three of its counterparts, Saskatchewan legislation does not clearly assign responsibility for the reporting of the effectiveness of curriculum. In practice, the Minister, through the department, assumes this responsibility and seeks the cooperation of the other stakeholders in this process. It makes the results of its curriculum reviews public by posting the reports on its web site.

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[3] Ensuring Quality Assessments: Enhancements to EQAO's Assessment Program - The Move Forward, September 2004. Government of Ontario.

We further describe some of these reporting requirements below, under the section called "student achievement."

Student achievement

Student achievement focuses on setting goals, determining how best to measure progress (e.g., use of standards), and reporting on achievement of goals for students and education systems.

In all of the provinces, the minister is responsible for setting goals or achievement standards, and for determining how to measure progress against the goals or standards. Reporting on the achievement of goals at the education system level also falls to the minister—specific reporting on student achievement varies. In four provinces (i.e., Nova Scotia, Manitoba, Alberta, and BC), school boards also have specific responsibilities to report progress publicly.

Table 3

Minister is *primarily* responsible for:	**None**	**Some**	**Most**	**All**	**Is assignment of responsibility clear in law?**
Setting goals / standards for student achievement				X	Yes
Setting processes to measure student achievement			X		Most often
Measuring student achievement		X			Not often
Reporting *to public* on student achievement				X	Sometimes
Reporting *to Assembly* on student achievement				X	Sometimes – most report as part of ministry's / department's annual report

Beyond setting related provincial standards or goals, responsibilities for planning to assess achievement vary. In some provinces, boards are explicitly responsible for developing plans to improve student achievement. For example, the BC Minister sets guidelines for board plans to improve student achievement. These plans, called "accountability contracts," are public documents. In Alberta, the Minister requires boards to describe areas for future improvement in their annual results reports, which are also public.

In most provinces, ministers can mandate how boards measure and report student achievement. Consistent measuring of student achievement is challenging. In its 2003 Annual Report, Chapter 3.05, the Ontario Auditor General indicated that the Ministry and school boards did not have sufficient assurance that students were properly and consistently assessed. The Report also noted that the Ministry and school boards did not have sufficient assurance that appropriate accountability frameworks were in place.

In all provinces, cabinet or the minister can make regulations or set the process to assess student achievement. Most provinces administer provincial-level exams (such as exams for final standings in classes). Also, in every province students periodically participate in provincial, national, or international assessments.

BC and Ontario are unique. The Ontario Government assigns responsibility to assess student achievement to an agency separate from the Ministry and school boards. EQAO is responsible for assessing students and administering provincial-level exams (i.e., grades 3, 6, 9 and literacy assessments in reading, writing, and math). The BC Minister uses district teams (comprised of educators, parents, and Ministry staff) to review student achievement.

Responsibility for reporting on student achievement varies as does the content of the report (e.g., report by province, board, or school). For some, governments must report publicly on specifically student achievement. For example, in Ontario, the EQAO publishes student achievement by province, board, and school. It makes this information readily available through its web site.

Some ministers, although not specifically required by law, publish separate reports including key information on student achievement. For example, Nova Scotia and Saskatchewan ministers periodically publish indicator reports that include key information on student achievement. For others, school boards or schools must publish information. For example, BC boards must publicly report progress in meeting achievement goals set out in their "accountability contracts." Alberta boards must provide public information about their students' achievement each year (i.e., Annual Education Results Report). Manitoba boards and schools must report to their communities on achievement outcomes for the previous year as well as the current year's priorities and target outcomes. In Nova Scotia, student achievement results are available by school board and school. In BC, the district teams must publicly report the results of their reviews.

Both legislation and practices for reporting student achievement are changing. Various provinces are making changes to more clearly state who should be responsible for reporting on student achievement (e.g., governments, school boards), what should be reported (e.g., information at provincial- , school board-, or school-level) and to whom (e.g., the Assembly, the public, the Minister, the school boards). Assigning these responsibilities can present difficulties, given that provincial ministries are typically accountable for the overall quality of education.

In Saskatchewan, other than provincial-level information provided in the Department's annual reports and other publications, the education sector publishes limited public information on student achievement. Neither school boards nor schools have been required to publicly report this information.

Teacher certification

Provincial education systems depend on the services of qualified teachers. This involves setting and monitoring the qualifications of teachers and deciding on the circumstances in which teachers without these qualifications can teach. Typically, the process of deciding whether teachers possess the necessary qualifications is called teacher certification. Related to this is maintaining the competence of teachers through professional development and evaluating teacher performance.

The involvement of ministers in this area varies significantly. Some provinces draw on teachers' professional bodies to assist. Others use boards comprised of representatives from the provincial department, school boards, and teachers. Some use a combination of both.

Table 4

Minister is *primarily* responsible for:	None	Some	Most	All	Is assignment of responsibility clear in law?
Setting qualifications of teachers			X		Most often
Deciding whether teachers are qualified to teach (certify)			X		Most often
Setting standards for professional development		X			Not often
Evaluating teachers' performance		X			Not often

In four provinces (Alberta, Saskatchewan, Manitoba, and Nova Scotia), the minister sets and monitors the qualifications of teachers. In two provinces (BC and Ontario) this is done by a professional college of teachers. The colleges of teachers also are responsible for professional development of teachers. One province, Ontario, has legislated standards and processes for evaluating teacher performance.

Where the minister sets qualifications, the minister issues teachers' certificates (i.e., permits to teach). Ministers can issue special or limited certificates, for example, to individuals who otherwise do not qualify for a certificate. These may be in certain fields, such as testing services or library services. In Saskatchewan, an agency called the Teacher Classification Board (comprised of members appointed by the Minister, by the association of teachers, and by the association of school board members) makes recommendations to the Minister on defining and classifying teacher qualifications. A second group, called the Board of Teacher Education and Certification (BTEC) is charged with recommending to the Minister changes to regulations over teachers' certificates. BTEC includes department employees appointed by the Minister, and other members appointed by the universities, the association of teachers, and the association of school board members.

In both BC and Ontario, the colleges of teachers determine the requirements for qualification as a teacher and grant teacher certificates. In BC, the College of Teachers may give a letter of permission to an individual who does not qualify for a certificate. The permission will be for a specific subject and for a specific time. In Ontario, the Minister may provide a letter of permission to teach in an elementary school if no certified teacher is available. In Ontario, the law requires teachers to take professional development courses over five-year cycles to maintain their certification.

In some cases, legislation gives school boards or other organizations limited authority to set teachers' qualifications. For example, in Saskatchewan, separate boards can prescribe the qualifications of previously-certified teachers who provide religious instruction. In BC, the Francophone education authority assesses qualifications for related teaching positions.

Responsibility for professional development of teachers varies. For example, in BC and Ontario, the colleges of teachers are involved with teacher training and professional development. In Saskatchewan, school boards and their principals are responsible for teachers' professional development. In addition, Saskatchewan's BTEC must arrange for studies or investigations of problems related to the education and training of teachers. In many provinces, provincial departments take an active role in teachers' professional development although not specifically assigned responsibility.

Teachers in most provinces are accountable for their performance, through their principals, to the school board. On occasion, provincial governments set performance appraisal standards. For example, Ontario has established performance appraisal standards and processes for boards to use in evaluations. In Manitoba, local school committees and area advisory committees can make recommendations respecting the need to evaluate the performance of any person employed by the school board. In Saskatchewan, legislation makes school boards responsible to supervise schools and teachers. Responsibility for formally assessing the performance of teachers is not clear.

Facilities

Education systems need adequate facilities (e.g., schools, equipment) to teach students. Facility needs are changing as provinces experience demographic changes, students' needs change, and technology advances. These highlight the need to have clear accountability for planning and approval of education capital projects, and for ongoing maintenance.

In all of the provinces, school boards are responsible for planning for capital projects and ministers have the authority to approve major capital projects. Typically, maintenance is a matter for the school boards.

Table 5

Minister is *primarily* responsible for:	**None**	**Some**	**Most**	**All**	**Is assignment of responsibility clear in law?**
Maintain facilities	X				Yes – assigned to school boards
Review and approve plans prepared by boards		X			Sometimes – for some provinces, ministers are not required to approve plans
Reporting *to public* on facilities' condition	X				Sometimes – responsibility most often rests with boards
Reporting *to Assembly* on facilities' condition		X			Not often – a few report as part of ministry's / department's annual report

In all of the provinces, boards are responsible for maintaining educational facilities. For the most part, language describing the standard for facilities is general. Facilities are to be "safe," "adequate," or in "proper repair." Saskatchewan alone specifies that boards must meet laws and regulations such as heating, lighting, ventilation standards.

Subject to approval by ministers, boards are expected to plan for their capital needs. Legislation is not consistent among provinces. For example, in BC, boards are required to submit to the minister five-year plans. In Alberta, boards must submit three- and ten-year capital plans. In Saskatchewan, boards must submit three-year capital plans. In Manitoba, the Public Schools Finance Board can also approve projects, but the Minister can make regulations for this Board to follow.

To determine the condition of the facilities, several provinces assign responsibility for inspecting facilities. This assignment varies. For example, BC school medical officers can require inspection. The Alberta Minister can authorize inspections. Saskatchewan boards are not directly required to inspect but must keep the following types of information on facilities: information that is sufficient for property control, management, and financial planning. In addition, Saskatchewan boards must have approval of fire, health, and other regulatory authorities. Manitoba and Ontario principals are responsible to inspect facilities and report necessary repairs. In Ontario, these reports go to a "supervisory officer" and to the Minister, while in Manitoba it is not clear who is to receive the report.

In both Nova Scotia and Alberta, boards can declare facilities unfit. In BC and Alberta, boards can temporarily close facilities if the health or safety of students is endangered.

Responsibility for reporting on the condition of educational facilities, and for reviewing those reports, varies as well. In several provinces, principals or school officials report on conditions, although it is not always clearly set out who is to receive the reports. The minister receives the reports on condition in several provinces. In Alberta, the boards are required to report to their communities on progress on capital projects for the previous school year. For the most part, including in Saskatchewan, responsibility for reporting the condition of facilities to legislators or to the public is not clearly laid out.

Paying for education

The public pays for the education system, whether through provincial taxes, property taxes, or user fees. Education systems use a variety of approaches to determine who is responsible for paying for what and when.

In all of the provinces, school boards prepare the initial budgets that outline expected costs to deliver education. Boards estimate their costs and provide ministers with their budgets. In some cases, boards must obtain minister approval of these budgets; in others, legislation does not require the minister to approve these budgets.

In two provinces, Manitoba and Saskatchewan, school boards have the authority to directly raise significant amounts of revenue from property taxes to cover budgeted amounts not obtained from the minister or through user fees.

In the other provinces (BC, Alberta, Ontario, and Nova Scotia), the minister specifies the amount of revenue that the government will raise through property taxation, if any. For these, the responsibility to pay for the education system rests primarily with the minister. Their provincial governments provide grants to boards. For example, the Alberta and Ontario governments use money that they raise from property taxes to help pay for the education system. Cabinet for each of these provinces sets the tax rate (i.e., the mill rate). In Saskatchewan and Manitoba, although the ministers provide grants to boards, boards have the authority to raise significant revenues directly from property taxes and do so. For these provinces, the boards set the tax rate (i.e., the mill rate).

Typically, teachers' salaries account for more than 70% of boards' operating expenses.[4] Teachers in all of the provinces belong to unions. The negotiations responsible for setting teachers' salaries and benefits have a critical impact on the cost of education.

As set out in the table below, in some provinces, the party with primary responsibility to negotiate teachers' salaries does not always have the full responsibility to pay for the bargaining decisions.

Table 6

	Negotiates teachers' salaries as employer with collective bargaining agent of related union(s)	**Pays for nearly all (or all) of the annual cost of pre-Kindergarten - Grade 12 education**
British Columbia	Provincial level: School boards through BC Public School Employer Association with BC Teachers' Federation	Minister of Education (Provincial Government)
Alberta	Local level: Individual school boards with Alberta Teachers' Association	Minister of Learning (Provincial Government)
Saskatchewan	Provincial level: Provincial bargaining committee (Government and Saskatchewan Trustees Association) with Saskatchewan Teachers' Federation	Neither Provincial Government or School boards
Manitoba	Local level: Individual school boards with Manitoba Teachers' Society	School boards

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[4] Government of Canada. Statistics Canada. (March 11, 2005). Education Price Index. *The Daily*.

	Negotiates teachers' salaries as employer with collective bargaining agent of related union(s)	**Pays for nearly all (or all) of the annual cost of pre-Kindergarten - Grade 12 education**
Ontario	Local level: Individual school boards with local teacher associations subject to government wage/benefit parameters	Minister of Education (Provincial Government)
Nova Scotia	Provincial level: Minister of Education for salaries and benefits Local level: school boards for working conditions	Minister of Education (Provincial Government)

In Alberta, Manitoba, and Ontario, each board is responsible to negotiate an agreement for teachers' salaries and benefits. In some provinces like Ontario, the boards must negotiate within government-set parameters. Also in Ontario, a provincial Commission can advise Cabinet when the Commission considers that continued dispute will jeopardize students' successful completion of studies.

In others, centralized bodies lead negotiations. For example the centralized BC school board association negotiates teachers' salaries and benefits within parameters set by a government-appointed council and restrictions set in law. In Saskatchewan, a provincially-appointed government-trustee bargaining committee negotiates teachers' salaries and benefits; in addition, boards negotiate some working conditions (such as teachers' transfers). In Nova Scotia, both boards and the Minister negotiate teachers' salaries and benefits resulting in two collective agreements—one with the Minister for salaries and benefits and one with their board for working conditions.

Other financing issues involve how grants are calculated, for example, whether the amount of money allocated to each board or school is based on student population, student needs, or geographic considerations. Ministers are able to withhold or require repayment of grants in all of the provinces. There are also various types of grants—determining the right type or mix of grants is a common issue. Governments must decide whether boards should receive funds only if specific conditions are met ("conditional grants") or whether they should be obliged to spend the money for specific expenses ("targeted" grants). Some governments give boards autonomy to determine how to spend the money.

Changes in Saskatchewan

In May 2004, the Minister announced a three-phase program to renew the pre-Kindergarten to Grade 12 education system. As a part of this program, the Department is working with education stakeholders to develop a new accountability mechanism at the local level that builds on the SchoolPLUS model. The SchoolPLUS model incorporates a new role for teachers, parents, ratepayers, and community agencies in schools at the community level to maintain local accountability.[5]

In November 2004, as part of the reforms, the Minister announced the Government's plans to reduce the number of school divisions from 81 to 34. Given recent separate school division voluntary amalgamations, 28 school divisions will exist by January 2006.

In February 2005, the Minister announced a Local Accountability and Partnerships Panel. The purpose of the Panel was to "develop a policy paper recommending a framework for local accountability and community involvement and partnerships at the school level."[6] The Panel is to present a final report to the Minister by May 31, 2005.

Conclusion

As the Government's guidelines for performance planning indicate,

> a description of the accountability relationships within the sector clearly delineates the key roles and responsibilities of the Government and its key public sector partner (this includes the Minister, the department and each partner).[7]

Clear accountability helps improve performance. Everyone involved in the education sector should know who is responsible to whom, and for what. The central importance of education and its cost reinforce the need for clear accountability relationships.

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[5] Government of Saskatchewan. (May 13, 2004) *News Release, 265.*

[6] Government of Saskatchewan. (February 14, 2005). Education Equity Initiative Update. *News Release Backgrounder.*

[7] Government of Saskatchewan. *Accountability Framework, Planning Guidelines*, Performance Management Branch, Department of Finance, p. 18.

Education systems have seen significant changes within the last ten years. Many of these changes have changed accountability structures and relationships.

The changes illustrate that the foundation for defining accountability relationships in the education sector is the legislation and regulations that govern education. Where practices have evolved, provinces have changed legislation and regulations to keep pace. Keeping the legislative foundation up-to-date helps ensure changes are well thought out and helps foster a system that responds to the needs of the public.

> Transparency is essential to ensure that decisions made by the province, school boards and schools can have the confidence of parents, students and the public. Competing demands for guaranteed spending in a given area and flexibility for local decision-making can only be reconciled if there is easy access to the implications of the decisions at a local level, minimizing the requirements for process micro-management by the province.[8]

At the same time, the ultimate responsibility for the quality of education and its costs rests with the Government, which is accountable to the Assembly.

As previously stated, since 1998, our Office has recommended that the Department of Learning provide legislators and the public with a clear concise description of the accountability relationships between the Department and key provincial educational agencies. As the stakeholders in the education system now consider changes to accountability, we encourage all of those involved to use this opportunity to ensure that accountability for education is clear and transparent. Also, we encourage the Government to ensure that Saskatchewan's legislation provides a solid foundation for this accountability to make it sustainable over time.

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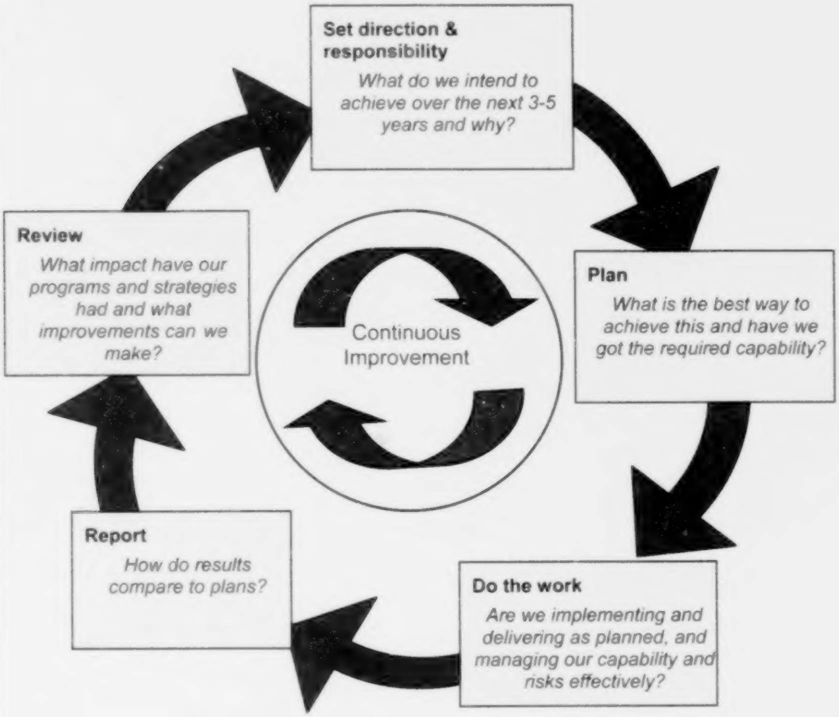
[8] Government of Ontario, Ontario Education excellence for all, Delivering excellence for all Ontario students p.11 (available at http://www.edu.gov.on.ca/eng/document/reports/excellence/index.html) (27 April 2005).

Exhibit 2—Accountability in the Learning Sector



Set direction & responsibility

What do we intend to achieve over the next 3-5 years and why?

Plan

What is the best way to achieve this and have we got the required capability?

Do the work

Are we implementing and delivering as planned, and managing our capability and risks effectively?

Report

How do results compare to plans?

Review

What impact have our programs and strategies had and what improvements can we make?

Source: Auditor General of Alberta, "Accountability in the Learning Sector" (adapted from "Learning from Evaluative Activity: Enhancing Performance through Outcome-focussed Management", Steering Group for the Managing for Outcomes Roll-out 2004-05).

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Industry and Resources

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Main points

The Department of Industry and Resources faces many strategic risks that could influence its ability to meet its objectives.

We assessed the adequacy of the Department's planning processes as of December 31, 2004 to identify strategic risks to achieving its objectives. Overall, the Department had adequate planning processes to identify strategic risks except as reflected in our recommendations.

We recommend the Department improve its processes to identify strategic risks and in particular:

- use systematic processes to detect risks to all of its objectives
- quantify the likelihood and impact of strategic risks to identify priorities

Strengthening the Department's processes to identify strategic risks would help the Department take timely action to manage its most important risks. It would also help the Department to take full advantage of opportunities.

Introduction

The mandate of the Department of Industry and Resources (Department) is to co-ordinate, develop, promote, and implement policies and programs relating to: [1]

- exploring for and developing, managing, and conserving non-renewable resources [2]
- developing, managing, and conserving energy
- encouraging the growth and expansion of the Saskatchewan economy

The Department collects revenues from the production and sale of resources, the sale of Crown mineral rights, and other taxes, services, and fees. These revenues help to support a wide range of government services. Risks that reduce revenues could have a government-wide impact. In 2003-2004, the Department collected revenue of $1,157 million and incurred expenses totalling $71 million.

The Department's mandate is challenging. The mandate focuses on developing resources and supporting a sustainable economy. The Department must balance its economic development goals with conservation and protection of the environment.

To achieve its mandate, the Department works externally with a wide range of partners in an international business environment that is subject to rapid change. The Department's mandate has changed twice between 2002 and 2005. Like other agencies, it has an aging workforce. These are examples of the Department's many strategic risks.

Strategic risk is the possibility of events or circumstances having an impact on objectives. Strategic risks could bring new opportunities or adversely affect the achievement of an agency's objectives. The purpose of the work reported here is to help strengthen the Department's capacity to identify its strategic risks, particularly during its planning processes.

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[1] *The Department of Industry and Resources Regulations, 2005.*

[2] Non-renewable resources include uranium and potash; energy includes oil and gas.

Identifying risks—audit objective and criteria

Most public agencies use planning processes to achieve their mandate efficiently. Integrating risk identification into planning processes can help agencies achieve their strategic objectives.

The Government uses an Accountability Framework to guide planning, managing, and reporting practices in departments and some other agencies. The Framework includes identifying risks. In 2004, the Department of Finance expected agencies' annual reports to disclose the impact of risks on their performance. For 2006-07, it expects agencies' performance plans will explain major risks.

The objective of this audit was to assess whether the Department of Industry and Resources had adequate planning processes as of December 31, 2004 to identify strategic risks to achieving its objectives.

Criteria help assess the adequacy of processes used by management. We based the audit criteria on the Australia-New Zealand Standards for Risk Management and other selected references. We discussed the criteria with the Department. The Department agreed with the criteria.

To have adequate planning processes to identify strategic risks to its objectives, the Department should:

1. Detect risks
2. Assess risks (likelihood and consequences)
3. Evaluate risks (ability to influence, strategic priorities)

Audit conclusions and recommendations

As of December 31, 2004, the Department had adequate planning processes to identify strategic risks to its objectives except as reflected in the following recommendations.

1. **We recommend the Department of Industry and Resources use systematic processes to detect risks to all its objectives.**

2. **We recommend the Department of Industry and Resources quantify the likelihood and impact of strategic risks to identify priorities.**

Audit findings—processes to identify strategic risks

To conduct our audit we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. For each of our criteria, we describe our detailed findings. We set out what we expected in italics, followed by what we found.

Detect risks

We expected the Department to have planning processes that detect risks broadly and in consultation with key stakeholders. We anticipated the Department would identify causes of significant risks. We expected the Department to assign responsibility to ensure the Department considers all types of risk and documents risks to every objective.

The Department uses an environmental scan to detect risks broadly. The Department frequently communicates informally with its stakeholders. It also consults stakeholders more formally to detect risks. For example, in January 2005, the Department hosted a national summit. The summit explored opportunities and risks with stakeholders interested in economic development in Saskatchewan.

Risk detection in the Department most often occurs within divisions at the program level. To detect risks, the staff consults with industry experts and other stakeholders. They analyze information and monitor trade journals. Managers receive routine verbal updates about detected risks.

In addition, some divisions of the Department periodically perform a detailed review to detect risks and opportunities. For example, the minerals sector recorded an overview of the industry in 1997 and 2003. The overview included the causes of significant risks related to mining minerals in Saskatchewan. Other divisions regularly update their analysis of risks on a more informal basis.

The Department updates some parts of its environmental scan during annual planning activities. For example, the Department invites all its divisions to contribute to the "Trends and Issues" section of the performance plan. It does not provide guidance to ensure all its divisions detect a wide range of risks (e.g., external and internal risks).

The Department's 2004 environmental scan focused on external risks (e.g., abandoned oil and gas wells, mining technology). It did not highlight internal strategic risks (e.g., human resources, information technology). The Department reports some internal risks in separate documents such as its Human Resource Plan.

The Department has not formally assigned an individual, division, or committee to coordinate the systematic detection of all types of risks across all its objectives. Without a systematic process, the Department may overlook important risks or opportunities.

Assess risks

We expected the Department to have planning processes to estimate the likelihood and impact of risks and opportunities. We expected the Department to confirm with key stakeholders the most likely and severe risks to its objectives.

The Department's program staff assesses the likelihood and extent of impact of some risks. The Department uses its own experts, past records, and industry practices to estimate the likelihood of risks on a periodic basis. The Department does not have a systematic process to quantify the likelihood and impact of its strategic risks.

The Department has similar processes to estimate the extent to which it can benefit from some of its opportunities. For example, the Department has quarterly forecasts for revenue from the minerals sector. The forecasts show the Department assesses the likelihood of achieving expected revenue. It also assesses the severity of impact if the Department does not act on opportunities.

The Department sometimes involves stakeholders or external experts to help it assess risks. For example, a Diamond Steering Committee and its sub-committees analyze risks related to diamond mining in Saskatchewan. The Department occasionally hires consultants to evaluate the severity of consequences for important strategic risks.

The Department sometimes confirms with key stakeholders whether its risks are likely or could have significant impact. Key stakeholders have industry-specific information that helps the Department assess the strategic risks and opportunities it faces.

Evaluate risks

We expected the Department to have planning processes to evaluate its ability to influence risks and identify priority risks and opportunities across the Department.

The Department evaluates risks and opportunities at a program level. Some of the Department's programs have processes to evaluate their ability to influence risks. Other program areas focus on evaluating how to influence opportunities.

For example, in early 2005, the Department decided it could influence its risk of missed opportunities for the expansion of potash mines by implementing a ten-year tax holiday. The Department estimates this change will bring millions in capital investment and provide more than 200 jobs in the potash industry.

The Department uses its annual budget process to prioritize opportunities. The Department prioritizes initiatives that require additional resources in the next year. In 2004-05, these initiatives included some of the Department's strategic opportunities.

The Department does not have other formal processes to evaluate strategic risk priorities. The Executive Management Committee discusses topics of concern to industry but less often addresses risks in the context of the Department's objectives. The Committee does not keep a record of risks reported to it, and does not prioritize risks.

Formalizing the Department's processes to evaluate strategic risks would make the process more consistent across the Department's divisions. For example, the Department could provide guidelines to help all divisions evaluate risks and identify priority strategic risks to its objectives. Regularly updating the documented priorities would help the Department take timely action to manage its most important risks and opportunities.

Next steps

The Department faces change and uncertainty while striving for operating efficiency. Regular processes to identify its strategic risks would help the Department to exploit opportunities and adapt to unexpected events while carrying out its mandate.

The Department told us it plans to improve how it identifies strategic risks. We will monitor the Department's processes to detect, assess, and evaluate strategic risks.

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Workers' Compensation Board

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Main points

This chapter reports the results of our audits of the Workers' Compensation Board (WCB) and the Workers' Compensation Board Superannuation Plan (WCB Plan).

We report that the WCB has addressed our past recommendations to administer injured workers' claims except for receiving timely injury reports from employers, and approving an adequate plan for its internal auditor. The WCB continues to make progress to address these issues. The President and employees directly reporting to the President did not file their employment contracts with the Clerk of the Executive Council as required under *The Crown Employment Contracts Act*.

We also report that both the WCB and the WCB Plan did not verify that all of their investments comply with the laws and their investment objectives.

The WCB Plan has not acted on our 2003 recommendations to improve its governance processes. Effective January 1, 2005, the Workers' Compensation Board is responsible to administer the WCB Plan.

Introduction

The Saskatchewan Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979*. This Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for the administration of the Act.

The WCB included its 2004 financial statements in its 2004 annual report. Those financial statements report revenue of $256.7 million, expenses of $245.0 million, and operating surplus of $11.7 million. At December 31, 2004, the WCB had investments of $907.0 million and net assets of $52.7 million.

Our audit conclusion and findings

Cabinet appointed Deloitte & Touche LLP (Deloitte), Chartered Accountants, as the WCB's auditor. Our Office worked with Deloitte using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/rrd.html/). Our Office and Deloitte formed the following opinions.

In our opinion for the year ended December 31, 2004

- **the WCB's financial statements are reliable**
- **the WCB had adequate rules and procedures to safeguard public resources except for the matters reported below**
- **the WCB complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported below**

Verification of investment managers' compliance reports

The WCB needs to strengthen its rules and procedures to ensure that its investments comply with the law and its investment objectives.

The Workers' Compensation Board Act, 1979, sets out the investment rules that the WCB must follow. The WCB may contract with investment managers to make investment decisions. However, the WCB is responsible to ensure that all its investments comply with the law and its investment objectives. The WCB could do this by verifying the investment managers' compliance reports. Alternatively, the WCB could receive periodic independent assurance on the adequacy of the systems and practices the investment managers use.

The WCB has hired investment managers to make investment decisions for the WCB. The WCB requires the investment managers to ensure that investments comply with the law and provide compliance reports. The WCB receives quarterly investment compliance reports from the investment managers. The WCB, however, does not adequately verify the investment managers' compliance reports.

The WCB has hired an asset consultant. The asset consultant reviews the performance of the WCB's investments and the investment managers. With the help of its asset consultant, the WCB verifies some parts of the investment managers' compliance reports (e.g., investment mix). The WCB does not verify that the investment managers complied with all the laws and the WCB's investment objectives (e.g., quality of investments, quantity of stock held in individual companies) nor does the WCB receive independent assurance on the adequacy of the processes the investment managers use. As a result, we cannot determine if all of the WCB's investments complied with the law and its established investment objectives.

1. **We recommend that the Workers' Compensation Board establish policies and procedures to ensure that all of its investments comply with the law and its investment objectives.**

On April 18, 2005, the WCB approved getting assurance that the investment managers have complied with the law and the WCB's investment objectives.

Crown employment contracts

The WCB's employees have not complied with *The Crown Employment Contracts Act* (Act).

The Act applies to all employees other than the employees covered by a collective bargaining agreement and the employees appointed under an Order in Council.

The Act requires that the President and each employee reporting directly to the President file a copy of their employment contracts with the Clerk of the Executive Council, who then makes them available to the public. The President of the WCB and employees directly reporting to the President did not file their employment contracts with Clerk of the Executive Council. Accordingly, the WCB's employees did not comply with *The Crown Employment Contracts Act.*

The WCB does not have a written employment contract with its President. Nor does the President have written contracts with the employees reporting directly to him.

The WCB told us that the employees did not file the employment contracts with the Clerk of the Executive Council because in 1993 the Clerk advised that filing of contracts was not required if they did not have a written contract of employment.

2. **We recommend that the Workers' Compensation Board and the employees reporting directly to the President file employment contracts with the Clerk of the Executive Council as required by *The Crown Employment Contracts Act*.**

On May 3, 2005, the Chair told us that the WCB now acknowledges the applicability of the Act and intends to negotiate a formal contract with the President and file that contract with the Clerk of the Executive Council. The Board will also ask the President to do the same for the employees that report directly to him.

Processing injured workers' claims

In our 2004 Report – Volume 1, we recommended that the WCB:

- receive injury reports from employers promptly
- identify claims where recovery may be possible from other parties and effectively pursue such claims
- ensure its actuaries receive and use accurate data to calculate the expected benefits owing to injured workers
- follow its processes to calculate the expected costs or savings for all policy changes

The Standing Committee on Public Accounts (PAC) considered these matters in June 2004 and agreed with our recommendations.

We are pleased that the WCB has addressed our recommendations except for receiving injury reports from employers promptly. During PAC's meeting on June 29, 2004, the WCB told the Committee that it planned to deal with the issue by seeking legislative changes. The WCB has not yet done so. Nor has it established a process to ensure it receives timely injury reports from employers. Slow reporting delays the payment of benefits to injured workers. This results in unnecessary hardship and discontent.

We continue to recommend the WCB receive injury reports from employers promptly.

Management told us that the WCB has now established a process to identify employers who report injuries late and begun to improve its communications with employers about the importance of prompt reporting. Management also told us that the WCB has hired a special prosecutor to help deal with employers that continue to report injuries late.

The Board Chair told us that the WCB has requested legislative changes to enable it to levy administrative fines for late reporting.

Maintaining quality control processes

In 2004, we also examined the WCB's quality control processes for administering short-term and long-term claims. In our 2004 Report –

Volume 1, we said the WCB's quality controls processes were adequate except that it needed to set out guidelines for documenting its quality control work. Setting out guidelines for documenting quality control work would help ensure that employees involved in quality control document the results of their work in a consistent manner. We also recommended that the WCB monitor the quality of administration of the long-term claims assigned to case management teams.

PAC considered this matter in June 2004 and agreed with our recommendations.

The WCB has now established written guidelines for documenting the quality control work. In addition, in 2005, the WCB began monitoring the quality of management of the long-term claims.

Adequate information for the Board and senior management

In our 2004 Report – Volume 1, we said the WCB provides senior management and the Board with adequate information except that the Board:

- had not formally defined its reporting needs to oversee the administration of claims
- did not receive and approve an adequate work plan for the internal auditor

PAC considered this matter in June 2004 and agreed with our recommendations.

While the Board has not formally defined its reporting needs to oversee the administration of claims, management provides consistent reports to the Board regularly. Management only makes changes to those reports when Board members suggest changes to better understand the WCB's performance.

The internal auditor's work plan that the Board receives and approves continues to be inadequate. The internal auditor's plan does not include the WCB's business and operating risks. Also, it does not show how the internal auditor's work would help reduce those risks. The Board should also ensure that the internal auditor carries out the approved plan.

During 2004, the Board received reports from its internal auditor setting out the progress towards the completion of the work plan the Board had approved.

We continue to recommend that the Board receive and approve an adequate work plan for the internal auditor.

Management told us that the WCB plans to complete a risk management strategy in 2005 and that strategy will be used to prepare the internal auditor's plan.

Workers' Compensation Board Superannuation Plan

The WCB sponsors the Workers' Compensation Board Superannuation Plan (WCB Plan). The WCB Plan is a defined benefit pension plan (closed to members in 1978).

The Workers' Compensation Superannuation Board (Superannuation Board) is responsible for administration of *The Workers' Compensation Board Superannuation Act*. The primary objective of the Superannuation Board is to provide pensions to the WCB's retired employees and the dependants of deceased superannuates and employees. The Public Employees Benefits Agency, Department of Finance, provides day-to-day management of the WCB Plan.

In 2004, the WCB Plan received contributions of $0.1 million from employees and provided pensions and refunds of $1.0 million. At December 31, 2004, the WCB Plan held assets of $32.7 million including investments of $32.5 million, and owed accrued pension benefits of $26.7 million. The WCB Plan's financial statements are included in its 2004 annual report.

Effective January 1, 2005 the Workers' Compensation Board is responsible for the administration of the WCB Plan.

Our audit conclusion and findings

Cabinet appointed Deloitte & Touche LLP (Deloitte), Chartered Accountants, the WCB Plan's auditor. Our Office worked with Deloitte using the framework recommended by the *Report of the Task Force on*

Roles, Responsibilities and Duties of Auditors. Our Office and Deloitte formed the following opinions.

In our opinion for the year ended December 31, 2004:

- the WCB Plan's financial statements are reliable
- the WCB Plan had adequate rules and procedures to safeguard public resources except for the matters reported below
- the WCB Plan complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported below

Verification of investment managers' compliance reports

The WCB Plan needs adequate rules and procedures to ensure its' investments comply with the law and the Plan's investment objectives.

The Pension Benefits Act, 1992 sets out the investment requirements that pension plans must follow. Pension plans may contract with investment managers to make investment decisions. However, management is responsible to ensure that all investments comply with the law and its investment objectives. Management could do this by verifying the investment managers' compliance reports. Alternatively, management could receive periodic independent assurance on the adequacy of the systems and practices the investment managers use.

The Plan has hired an investment manager to make investment decisions on behalf of the Plan. The Plan requires the investment manager to ensure that investments comply with the law and to provide compliance reports to management. Management receives quarterly investment compliance reports from the investment manager.

The Plan has hired an asset consultant. The asset consultant reviews the performance of the Plan's investments and the investment manager. With the help of its asset consultant, management verifies some parts of the investment manager's compliance reports (e.g., investment mix).

Management, however, does not verify that the investment manager has complied with all laws and the Plan's investment objectives (e.g., quality of investments, quantity of stock held in individual companies). Nor does the Plan receive independent assurance on the adequacy of the processes the investment manager uses. As a result, we cannot determine if all of the Plan's investments complied with the law and the Plan's investment objectives.

3. **We recommend that the Workers' Compensation Board Superannuation Plan establish policies and procedures to ensure that all investments held by the Plan comply with the law and its investment objectives.**

Governance processes

In late 2002, we studied the governance processes used by the Government's pension plans including the WCB Plan. In our 2003 Report – Volume 1, we reported that the Government's pension plans need to improve their governance processes and made six recommendations.

We recommended that the Government's pension plan boards:

- develop and implement strategic plans that include the goals and objectives of the plan, a summary of the risks faced by the plan and its members, and the key strategies to manage those risks
- clearly set out the specific responsibilities of the board including clear delegation of authority, and an education plan for board members and management
- define and communicate the financial and operational information that the boards need to oversee the plans
- establish an appropriate code of conduct for board members, management, and employees of the plans
- develop and implement written communication plans
- establish policies for periodic governance self assessment

PAC considered these matters in September 2004 and agreed with our recommendations.

During 2004, the WCB Plan made no progress towards addressing our recommendations.

Effective January 1, 2005, the Workers' Compensation Board is responsible to administer the WCB Plan.

Retiring members' pensions

The WCB Plan needs information about its retired members who are receiving pensions and who have returned to work for the Government. The Plan needs this information to ensure it pays pensions in accordance with the law.

Section 27 of *The Superannuation (Supplementary Provisions) Act* (Act) sets out the requirements for stopping pensions when retired members receiving a pension are reemployed. The Act allows retired members receiving pensions to work for the Government as temporary, casual, or provisional employees for a period not exceeding six months in a fiscal year without any reduction in their pensions. However, the Act requires that if a retired member receiving a pension works for the Government more than six months in a fiscal year, the member's pension must be stopped. The Act also requires that, if a member receiving a pension is rehired by the Government as a permanent employee, the member's pension should be stopped from the day the member starts work.

The Plan does not have adequate processes to know if retired members are working for the Government. The Plan relies on retired members receiving pensions to notify the Plan when they recommence employment with the Government. As a result, the Plan cannot ensure all pensions paid comply with the law. Also, because the Plan does not have adequate processes to know if retired members are working for the Government, we cannot determine if the Plan complied with section 27 of the Act.

We reported this matter in our earlier Reports. In November 2001, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Plan establish processes to ensure that all retired members receiving a pension, who have returned to work for the Government, are paid in accordance with the Act. Alternatively, the Plan should seek changes to the Act.

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Main points

In this chapter, we report the results of the audits of Crown Investments Corporation of Saskatchewan (CIC) and the Capital Pension Plan (Plan) for the year ended December 31, 2004.

We concluded that the financial statements of CIC and the Plan are reliable. CIC complied with the authorities governing its activities and had adequate processes to safeguard public resources.

The Plan complied with the authorities governing its activities. It had adequate processes to safeguard public resources except the Plan needs to improve its governance processes.

We reviewed the 2003 annual reports of four large CIC Crown corporations. They compare well against Crowns in most other Canadian jurisdictions, although the reports of Crowns in a few other jurisdictions are more advanced in some areas. We encourage Saskatchewan's CIC Crown corporations to continue to improve their performance reports using the CCAF's reporting principles as guidance.

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Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for Crown corporations such as Saskatchewan Power Corporation (SaskPower), Saskatchewan Telecommunications (SaskTel), SaskEnergy Incorporated (SaskEnergy), and Saskatchewan Government Insurance (SGI). CIC is responsible for establishing the strategic direction for these corporations and for monitoring their performance. CIC's Board provides advice about them to Executive Council (Cabinet). CIC also manages the Capital Pension Plan (the Plan).

CIC's 2004 Annual Report contains two sets of financial statements. The first set shows CIC's financial results consolidated with its subsidiaries. The second set shows the financial results of CIC, the legal entity. The Legislative Assembly asked CIC to prepare the second set of financial statements to provide additional information on how CIC managed the assets entrusted to it by the Assembly. CIC's 2004 consolidated financial statements show it had revenue of $4.1 billion, net income of $312 million, and assets of $8.1 billion.

The Plan's 2004 Annual Report contains combined financial statements as well as separate financial statements for its funds. The Plan's 2004 combined financial statements show it had net assets available for benefits of $747 million.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings for CIC and the Plan for the year ended December 31, 2004. We worked with CIC's appointed auditor, KPMG LLP, to form our opinions. We used the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see http://www.auditor.sk.ca/rrd.html). Our Office and KPMG formed the following opinions.

In our opinion, for the year ended December 31, 2004:

- **the financial statements of CIC and the Plan are reliable**
- **CIC had adequate rules and procedures to safeguard public resources**

- **the Plan had adequate rules and procedures to safeguard public resources except for matters related to governance as reported in this chapter**
- **CIC and the Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

The remainder of this chapter contains the results of our study of performance reporting by four large Crown corporations and our audit findings related to governance of the Plan.

Performance reporting

In this section, we compare the quality of the annual reports prepared by four Saskatchewan Crown corporations to those prepared by Crown corporations in other Canadian jurisdictions. We reviewed annual reports available in 2004.

Performance reporting in the public sector has attained a reasonable degree of maturity, even though new developments continue. Therefore, a good base of information is available for comparing performance reports in Saskatchewan to those in other jurisdictions.

Our purpose is to encourage more meaningful reporting by Crown corporations. This will lead to improved governance, better management and decision-making processes, and increased public confidence.

Background

In 1997, CIC began to use the Balanced Scorecard[1] performance measurement system. CIC's objective is to "balance the Crowns' business needs with meaningful accountability to the people of Saskatchewan." CIC uses the Balanced Scorecard to evaluate financial performance as well as the achievement of targets in the areas of innovation and growth, customer satisfaction, and public policy. We support CIC's decision to adopt the Balanced Scorecard as a framework for its corporations[2] (CIC Crown corporations) to measure and report on their actual performance compared to their plans.

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[1] For more information, see www.balancedscorecard.org

In January 2000, CIC's Board approved a performance reporting and disclosure policy for CIC and its corporations. CIC committed to use the Balanced Scorecard "to communicate, review, update, and promote the continuous improvement of each Crown's performance." CIC and its corporations jointly develop a Crown Sector Strategic Plan. This Plan and the Balanced Scorecard form an integrated short and long-term strategic performance management system for this sector.

Because CIC Crown corporations have used this framework for several years, we considered it an appropriate time to assess how well they report on their performance compared to Crowns in other jurisdictions.

Governments and government agencies are focusing more attention on how they report on performance. Where reports once focused only on the year's activities and achievements, many are now becoming much more informative. More reports now discuss what those activities and achievements mean in the context of the entity's success in meeting its long-term goals.

Effective reporting on performance is one of the key elements of a sound public accountability system. It is important that there are informative reports and reasonable reviews of performance. These reports must correspond to agreed-upon plans that are clear concerning responsibilities, authorities, performance expectations, and resources needed.

Canadian jurisdictions are at various stages in developing more robust reporting systems. For example, the governments of British Columbia, Alberta, and Canada have incorporated specific reporting requirements into governing legislation. Those jurisdictions already have several years of experience with enhanced performance reporting. Others have less formal performance reporting frameworks. Some jurisdictions continue to focus on current year's activities. The table in Exhibit 2 on page 184 compares some of the performance reporting practices of a sample of large Crown corporations in Canada.

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[2] For list of these corporations, see www.cicorp.sk.ca/cicholdings/crowncorps.html

Approach

Using recommended public reporting principles, we assessed the content of the December 2003 annual reports of four large CIC Crown corporations: SaskPower, SaskTel, SGI, and SaskEnergy. Also, for each Canadian jurisdiction, we examined the latest available annual report of one large Crown corporation that has significant revenues and/or assets and is an important part of its respective public sector economy. Those Crown corporations are:

Export Development Canada (Government of Canada)
Insurance Corporation of British Columbia
Alberta Treasury Branches
Manitoba Public Insurance
Hydro One Inc. (Ontario)
Hydro-Québec
Nova Scotia Gaming Corporation
Newfoundland and Labrador Hydro
New Brunswick Power Corporation
Island Waste Management Corporation (PEI)

In addition, we reviewed the 2003 annual report of Potash Corporation of Saskatchewan (PotashCorp). Our purpose was to compare public sector reporting with recognized best practices in the private sector. In December 2004, The Canadian Institute of Chartered Accountants (CICA) recognized PotashCorp for excellence in corporate reporting.

To carry out this study, we were guided by *The Standards for Assurance Engagements* established by the CICA. This includes selecting suitable criteria and obtaining sufficient and appropriate evidence to support our findings.

Criteria

The criteria we used to assess the annual reports are the public reporting principles developed by the CCAF-FCVI[3] (CCAF). These are set out in *Reporting Principles: Taking Public Performance Reporting to a New Level*. This publication is the result of a multi-year project on public performance reporting. It involved extensive research and consultation with government managers, auditors, and legislators throughout Canada. All legislative auditors in Canada have agreed to use these reporting principles when assessing government annual reports in their jurisdictions.

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[3] CCAF-FCVI is a public-private partnership that "is a source of support, leading edge research and capacity for members of governing bodies, executive management, auditors, and assurance providers."

According to the CCAF, an agency's performance report must incorporate the following nine principles to adequately report on its performance (see Exhibit 1 on page 173 for more detail):

1. Focus on the few critical aspects of performance
2. Look forward as well as back
3. Explain key risk considerations
4. Explain key capacity considerations
5. Explain other factors critical to performance
6. Integrate financial and non-financial information
7. Provide comparative information
8. Present credible information, fairly interpreted
9. Disclose the basis for reporting

These CCAF principles go beyond current reporting practice. While some principles may exist to some degree in current practice, it is not common to find them used in an integrated manner, or to their full extent. According to the CCAF, that would represent a new level of public performance reporting. Some of the principles will challenge even governments that have made good advances in performance reporting.

Overall findings

The 2003 annual reports of Saskatchewan's four large CIC Crown corporations compare well against Crowns in most other Canadian jurisdictions, although the reports of Crowns in a few other jurisdictions are more advanced in some areas. Similar to most other jurisdictions, the four CIC Crowns provided better information on the first five principles than on the last four.

The first five principles focus on what information should be reported. For some of these principles, the four CIC Crowns have applied many of the significant elements. For other principles in this group, they have not addressed many of the elements, but there is evidence that they are making progress.

The last four principles focus on how information should be reported. The four CIC Crowns face the most challenge in applying these principles. In most cases, the 2003 reports do not yet apply the elements of these principles. However, Saskatchewan's reports are consistent with the reports of Crowns in most other jurisdictions.

The CCAF's reporting principles are comprehensive and far-reaching—they require more than public sector agencies are currently providing. They represent a different level of performance reporting. It will take much effort by Crown corporations to prepare reports that meet the standard they set. The effort is worthwhile, as better reporting will contribute to better performance and accountability.

We encourage Saskatchewan's CIC Crown corporations to continue to improve their performance reports using the CCAF's reporting principles as guidance. They can also benefit by reviewing and incorporating the best reporting practices of award-winning corporations such as PotashCorp.

Detailed assessment

This section summarizes the results of our assessment of the annual reports of the four CIC Crowns under each of the CCAF's nine reporting principles. For each principle, we describe the principle in italics, set out the results of our assessment of the 2003 annual reports of the four Crowns, and highlight notable performance reporting in other jurisdictions.

We used an evaluation process similar to that suggested by the CCAF to rate how well the corporations applied each of the recommended principles. We based our evaluation on the following four levels:

- Start up—most elements of the reporting principle have not been addressed
- In process—many of the elements have not been addressed, but progress is being made
- Fundamentals in place—most significant elements have been addressed, but further improvements are possible

- Fully incorporated—all elements have been substantially addressed

Exhibit 1—CCAF's reporting principles

1. **Focus on the few critical aspects of performance**
   - focus selectively and meaningfully on a small number of things
   - centre on core objectives and commitments
2. **Look forward as well as back**
   - set out the goals and how activities contribute to the goals
   - track achievements against expectations
3. **Explain key risk considerations**
   - identify the key risks
   - explain the influence of risk on choices and directions, and relate achievements to levels of risk accepted
4. **Explain key capacity considerations**
   - discuss capacity factors that affect the ability to meet expectations
   - describe plans to align expectations and capacity
5. **Explain other factors critical to performance**
   - explain general factors such as changes in the economic, social, or demographic environment that affect results
   - discuss specific factors such as standards of conduct, ethics, and values; or performance of other organizations that influence performance
   - describe unintended impacts of activities
6. **Integrate financial and non-financial information**
   - explain the link between activities and desired results
   - show spending on key strategies and explain how changes in spending affect results
7. **Provide comparative information**
   - provide comparative information about past performance and about the performance of similar organizations when relevant, reliable, and consistent information is reasonably available
8. **Present credible information, fairly interpreted**
   - present information as credibly as reasonably possible
   - explain management's involvement, judgment, and basis for interpretation of performance
   - information is consistent, fair, relevant, reliable, and understandable
9. **Disclose the basis for reporting**
   - explain the basis for selecting the few critical aspects of performance on which to focus
   - describe changes in the way performance is measured or presented
   - set out the basis on which those responsible for the report hold confidence in the reliability of the information being reported

Source: Provincial Auditor's 2004 Report – Volume 3, page 295.[4]

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[4] Adapted from: CCAF-FCVI Inc. (2002). *Reporting principles: Taking public performance reporting to a new level.* Ottawa: Author.

Principle 1—Focus on the few critical aspects of performance

To be understandable, public performance reports need to focus selectively and meaningfully on a small number of critical areas of performance. Reports need to explain the value created by key programs or business lines; show the relationship between short-term results (outputs) and long-term goals (outcomes); and organize the information that is important to stakeholders in a concise yet robust presentation.

SaskEnergy and SaskTel have addressed the fundamentals and SaskPower is in the process of providing the type of information that the CCAF expects to meet this principle. SGI does not address most elements of this reporting principle.

A key benefit of using the Balanced Scorecard framework for performance reporting is that it has helped CIC Crowns to focus on their critical areas of performance. For example, SaskTel provides a *statement of direction* for each of its scorecard areas—these goals provide important links to the corporation's objectives, strategies, measures, and targets. SaskTel also provides additional discussion on those areas of strategic focus.

SGI's annual report is not as clear; it does not state the corporation's mission, vision, and key long-term goals. The objectives and measures listed in its Balanced Scorecard table do not correspond well to the matters discussed in the ten-page section titled *2003 in Review*. While SGI provides some information about several strategic objectives in its *management discussion and analysis*, SGI needs to provide more information about all areas it considers significant and about its performance in each area.

To improve, corporations should describe their key goals, strategies, and objectives in a way that is integrated with the presentation of their Balanced Scorecard. Corporations should avoid listing activities and anecdotes of minor significance that confuse rather than enhance readers' understanding of what is significant.

On average, the four CIC Crowns are slightly ahead of those in other jurisdictions. Most others are still in the process of applying many of the elements of this principle.

Two that did well are Insurance Corporation of British Columbia (ICBC) and PotashCorp. Of the reports we reviewed, ICBC is the best at applying this principle—the corporation explicitly links its overriding goals to the specific objectives and key strategies for achieving them. It then links them to narratives describing the related measures, targets, and results.

PotashCorp clearly presents its goals, objectives, measures, and targets. It explains why it did not meet targets where necessary. In addition, it organized its annual report to clearly show the key aspects of performance for each of its major lines of business.

Principle 2—Look forward as well as back

Clear expectations are important to a fair assessment of an agency's past performance. Therefore, reports need to identify the specific objectives through which goals are to be realized; track actual achievements against them; inform stakeholders how short-term achievements affect prospects for realizing long-term goals; and show what has been learned and what will change as a result.

SaskPower, SaskTel, and SaskEnergy are in the process of addressing the elements of this principle in their reports. SGI is at the start up level. In most cases, these Crowns identify key objectives and corresponding results for the year under review. However, reporting on key areas of performance needs to extend beyond the current year. To provide important context, reports should also contain performance information about a number of prior years and expectations beyond the immediately upcoming year. This will better explain how their current results contribute to the achievement of their long-term goals.

When results either fall short of or surpass planned targets, readers need to be told the impact and what management plans to do to redirect the corporation if necessary. Often, Crowns do not adequately explain their results from the point of view of their targets and goals. SaskPower does a better job in this area—it provides additional information about the results for each of its performance measures. Also, SaskPower provides several pages of forward looking information in a section titled *Priorities and Challenges for the Future*.

In many businesses, comparison to industry benchmarks is a valuable tool for assessing a corporation's performance. CIC Crowns are no different. They should ensure their reports identify and explain relevant benchmarks, how they plan to position themselves in relation to those benchmarks, and what they intend to do to achieve that plan.

For this principle, SaskPower, SaskTel, and SaskEnergy compare favourably against the Crowns in other jurisdictions, as many others are at the start up level.

Those that did better than most are ICBC and Export Development Canada (EDC). Once again, of the reports we reviewed, ICBC has done the best job of incorporating this principle. ICBC provides performance results for two prior years as well as targets and actual results for the current year. It explains each measure, anticipated outcomes, and reasons why the corporation did or did not achieve its targets. Where applicable, it also provides plans to improve situations or minimize fluctuations. In addition, ICBC's public Service Plan provides targets for three future years and explains how it determined them.

EDC describes the changes it made to its plans and targets to address the difficulties it encountered during the year. Its report was well organized, providing clear links from activities and short-term achievements to the related long-term goal.

Principle 3—Explain key risk considerations

Reports should identify key strategic risks, explain their influence on policy choices and performance expectations, and relate results achieved to the risks (and the level of risk) accepted. A corporation should describe how it:

- *uses formal processes for identifying and classifying risks and developing a risk profile*
- *uses qualitative and quantitative analytical techniques to assess and manage risk*
- *gauges the success of risk mitigation strategies*

The four CIC Crowns are in the process of incorporating the elements of this reporting principle in their annual reports. However, they have not progressed as far as several other jurisdictions.

Generally, the four Saskatchewan reports contain some discussion of the risks to which the corporations are exposed. Some elaborate by describing how management is mitigating the risks they have identified. However, it is not yet common to find a discussion of accepted risk levels, an analysis of the challenges faced as a result of the risks identified, or more detailed information about the success of the risk mitigation strategies implemented by management.

Among those that have achieved a higher level of reporting are EDC, PotashCorp, Alberta Treasury Branches (ATB), and Hydro One. EDC has an extensive risk management section in its report. It does an excellent job of presenting an analysis of the risks that it faces and providing background information as support.

PotashCorp provides a good description of its risks and their ranking (i.e., as tier 1 and tier 2) as well as its mitigation strategies. The report goes into greater depth on risks that are more significant or complex.

ATB provides good explanations of risks and how it is mitigating them. ATB notes that its Board has approved levels of acceptable risk, but it does not disclose those levels.

Hydro One provides an overview of risks, noting it has an enterprise risk program that aims at balancing business risks and returns. It also reports that Hydro One's Board annually reviews the corporation's risk tolerances, risk profiles, and control systems used to manage risk.

Principle 4—Explain key capacity considerations

The CCAF recommends that public performance reporting should disclose and discuss key considerations affecting capacity to sustain or improve results and meet expectations. Reports should focus on the dimensions of capacity of strategic significance and conclusions should be well supported by qualitative and quantitative information.

Discussions of capacity should extend, where relevant, to a corporation's plant and infrastructure; computer and technological resources; human resources; and internal systems and processes. These discussions should be provided in the context of the corporation's strategic goals and indicate whether it has the necessary capacity or not. Where the capacity to meet future performance expectations is not in place, the report should discuss the corporation's plans to build or acquire the needed capacity and address the risks associated with the imbalance.

While the four Saskatchewan Crowns report on some aspects of their capacity, most are still in the process of providing all the information that the CCAF expects to meet this principle. They have not progressed as far as several other jurisdictions where the fundamentals are in place.

The exception is SGI, which has the fundamentals in place. SGI does a good job of explaining its capacity. It reports its capacity to underwrite business by discussing its net risk ratio, a standard industry benchmark based on premiums written divided by total equity. SGI also discussed capacity issues related to its reinsurance activities and liquidity, key considerations in an insurance enterprise.

SaskPower reports its electrical generation capacity compared to the amount of peak demand during the year. It also outlines anticipated challenges in its human resource capacity and its succession planning efforts to address those issues. However, it does not discuss capacity issues for areas such as information technology and financing.

Crowns in several other jurisdictions report most of the expected information on their capacity. For example, ATB discusses capacity issues throughout, e.g., number of branch locations, which it views as critical to achieving its goals.

EDC does a good job of identifying key capacity considerations (e.g., financial, human resource, and information technology) as well as some of the ways EDC is addressing them.

PotashCorp integrates capacity issues throughout its report, discussing the industry, global demand, and the corporation's capability to meet future demand.

Principle 5—Explain other factors critical to performance

Often, there are key factors that affect an agency's performance such as economic, environmental, or demographic variables and the performance or actions of other organizations. Reports should identify and explain any of these other factors that are important to the agency's success. Also, reports should provide sufficient information to indicate how the corporation is managing or responding to those factors.

Other factors that are critical to a corporation's performance may include issues related to environmental protection, regulatory compliance, safety of employees or the public, and governance processes related to the corporation and its subsidiaries.

The four Saskatchewan Crowns have made the most progress in providing the information expected about other factors critical to their performance. SGI, SaskPower, and SaskTel achieve a good standard of quality related to this principle by addressing most of the required elements.

SaskEnergy does the best job. It fully incorporates other factors it views as important in addition to the primary factors that affect its performance. These other matters are set out in the annual report supplement, *Corporate Social Responsibility Report 2003*. It provides additional performance measures and targets, together with adequate discussion, for topics such as community involvement; employee diversity, safety, and training; buying in Saskatchewan; and reducing emissions as part of the effort to meet its Kyoto targets.

Most other reports we reviewed also do well in this area. For example, PotashCorp provides extensive information about the critical areas of its performance. It is aiming at achieving its goal of being as transparent and providing as much useful information as possible to its readers.

ATB discusses other key aspects of performance that readers would consider important, such as regulatory and compliance matters and capital adequacy.

Principle 6—Integrate financial and non-financial information

Performance reports need to describe the relationship between resources and results. Associating the cost of resources with results enables corporations to demonstrate how its activities add value. Reports should demonstrate how short-term results contribute to longer-term outcomes for each business line or strategy. This is one of the most difficult principles to implement.

Other than SaskTel, which has the fundamentals in place, Saskatchewan Crowns are at the start up level. SaskTel is the only Saskatchewan Crown to show any significant integration of financial and non-financial information. SaskTel provides an overview of the financial performance of its business lines, and relates the costs incurred to specific achievements in planned non-financial outcomes. This includes outcomes such as cellular service coverage, availability of high-speed internet access, and percentage of long distance lines retained in Saskatchewan.

In common with Saskatchewan, most other jurisdictions are also at the start up level. Only a few reports incorporate some of the expected information.

Most annual reports focus separately on financial and non-financial aspects of performance, providing little direct connection. To associate costs with key strategies, corporations must usually set up their accounting systems by business line. This will enable them to track the relationship between costs incurred and results achieved. Corporations can then begin to measure and report on the value added by its activities as they relate to long-term goals.

Principle 7—Provide comparative information

Public performance reports should provide comparative information about past performance and about the performance of similar organizations when doing so would enhance readers' ability to understand and use the information. Benchmarking against similar processes in similar organizations is one method of providing comparative information about key aspects of performance.

Good performance reports show data for several years so readers can review and analyze trend information. This makes it clear to readers whether performance is stable, improving, or deteriorating. In many cases, the inclusion of important industry or peer benchmarking information would help readers understand the corporation's achievements and performance in the context of other organizations with similar lines of business or goals.

Most of the four Saskatchewan Crowns are at the start up level for this principle. In almost all cases, Balanced Scorecard tables contain no comparative information about past performance.

An exception is SaskPower's report, which is somewhat better in this area. However, it only includes results for one prior year in addition to the current year. SaskPower also provides comparative information related to industry-wide system reliability measures. In some cases, reports (e.g., SGI, SaskPower) include other graphs of supporting information that reflect data over several years.

As in Saskatchewan, most Crowns in other jurisdictions are also at the start up level. A few reports incorporate some of the required elements. ICBC and ATB incorporate most of the required elements.

ICBC did the best job of providing relevant comparative information. ICBC provides three years of actual results for most performance measures, with comparisons to benchmarks and current targets. In addition, ICBC refers readers to its public Service Plan where the corporation discusses its plans and targets for the next three years. This gives readers plenty of information to review trends.

ATB compares its results to industry averages as well as to its targets and prior years' performance. It also set out the targets for the next year.

Another example of a corporation that has addressed its key elements is PotashCorp. It provides considerable information on the industry and the markets in which it operates. This helps readers to gain a better understanding of the corporation's performance in a useful context.

Principle 8—Present credible information, fairly interpreted

Performance reports should present relevant, unbiased, verifiable information that is understandable and balanced. This includes the characteristics of consistency, fairness, and reliability. Performance information that appears in more than one report (i.e., business plan and annual report) should be consistent. In addition, to demonstrate that performance reports are credible, the reports must include adequate qualitative and quantitative information to support management's explanations, interpretations, and judgments.

Annual reports need to take a more integrated and cohesive approach to the presentation of critical performance information. For each critical aspect of performance, corporations need to articulate their intended objectives and select the most appropriate measures to assess their progress in meeting those objectives. Corporations should follow the same approach when deciding on the content and format of their annual reports. It is important for annual report narratives to provide balanced and thorough coverage of each of the areas that the corporation views as critical to its success. It is important that annual reports provide adequate information about all critical areas of performance, regardless of the results achieved.

SaskPower and SaskTel are in the process of incorporating the fundamentals of this principle into their annual reports; SGI and SaskEnergy are at the start up level. Annual reports have a tendency to focus on positive achievements and activities, even those that are not critical to a corporation's performance. In some cases, corporations do not adequately discuss unfavourable results.

Most of the other jurisdictions are also at the start up level. However, ICBC does a better job of demonstrating that its information is credible and presented fairly. For example, ICBC discloses when it changes measures and explains why, clearly labels data sources on each performance measure graph, provides details about the number of people surveyed, and explains what it is doing to refocus policies or programs when it does not meet its targets. Also, ICBC discusses limitations in its ability to influence certain desired outcomes. These factors help build readers' confidence that the information reported is balanced and not biased.

Principle 9—Disclose the basis for reporting

Performance reports should explain the basis for selecting the critical aspects of performance that the report focuses on. Management needs to describe the steps it has taken to validate the information presented in the report, and any limitations in its ability to do so. An independent audit and report on the performance information is important to corroborate the information and judgments contained in the report.

To help readers understand a corporation's performance, reports must show, for each key area of performance, a clear link between each objective and the specific performance measures used to assess progress. It must explain how each selected measure is relevant to achieving the intended outputs or outcomes.

As well, management should clearly define each measure—this enables readers to assess critically the methodologies used and compare results to previous periods or to other entities. To enhance confidence in its report, management needs to describe how it is satisfied that the performance information is accurate. This may include systems of internal verification and the use of independent external parties such as auditors.

This principle is not well addressed in any of the Saskatchewan or other annual reports we reviewed. Accordingly, all except for ICBC are at the start up level. Generally, they do not provide reasons for the selection of measures and targets (i.e., why they are relevant), data sources are not clearly stated, changes in objectives or measures from the previous report are not explained, and the reliability of the information presented is not substantiated.

ICBC does better than the rest. For example, it discusses the reasoning behind the choice or development of performance measures, and it clearly states its data sources.

Exhibit 2—Comparison of published information

	Corporate Plan i.e., strategic, business, or performance plan	Quarterly financial statements	Annual audited financial statements with MD&A	Annual report on goals, performance measures, and targets	List of payees
Saskatchewan Crown corporations	‡	√	√	√	√
Export Development Canada	√		√	√	
Insurance Corporation of British Columbia	√		√	√	√
Alberta Treasury Branches	√	√	√	√	**
Manitoba Public Insurance		√	√	√	†
Hydro One (Ontario)		√	√		†
Hydro-Québec	√	√	√	√*	
Nova Scotia Gaming Corporation	√	√	No MD&A		
Newfoundland and Labrador Hydro			√		
New Brunswick Power Corporation			√		†
Island Waste Management Corporation (PEI)			No MD&A		

Based on information available as of December 2004
(MD&A = Management's discussion and analysis)

√ - document is public

‡ - plan exists for entire Crown corporation sector, not for individual Crowns

† - partial list: i.e., only salaries, not suppliers

* - this information is reported in the Strategic Plan—Follow up

** - discloses board and senior executives pay

Capital Pension Plan

The Capital Pension Plan is a defined contribution (money purchase) pension plan sponsored by CIC. Overall direction is provided by the Capital Pension Plan Board (the Board). The Board members are appointed by CIC as representatives of participating employers. The Plan is available to corporations in both the public and private sectors upon approval by the Plan's administration.

Improving governance processes

In our 2003 Report – Volume 1, Chapter 10, we made the following recommendations to help the Government's pension plans improve their governance processes.

We recommended that the Government's pension plan boards:

- develop and implement strategic plans that include the goals and objectives of the plan, a summary of the risks faced by the plan and its members, and the key strategies to manage those risks
- clearly set out the specific responsibilities of the board including a clear delegation of authority and an education plan for board members and management
- define and communicate the financial and operational information that the boards need to oversee the plans
- establish an appropriate code of conduct for board members, management, and employees of the plans
- develop and implement written communication plans
- establish policies for periodic governance self-assessment

In September 2004, the Standing Committee on Public Accounts agreed with our recommendations.

Over the next few years, our plan was to assess the pension plans' progress toward improving their governance processes. We have now completed our assessment of the progress made by the Board on the Plan's governance processes.

Our findings

To make our assessment, we measured the Board's progress against the following criteria. We reported the criteria in our 2003 Report – Volume 1, page 163. For each criterion, we set out what we expected (in italics) and what we found.

Possessing adequate knowledge

We expected the Board to:

- *have a clear understanding of what to do, why to do it, and to whom they are accountable*
- *define a clear mission statement for the plan*
- *be qualified and knowledgeable to adequately carry out their duties and responsibilities*
- *maintain qualified and knowledgeable board members and management and have a written succession plan that identifies the required skills and knowledge*

The Plan has taken some steps to ensure the Board has a clear understanding of what to do, why to do it, and to whom they are accountable. Committees of the Board have been established along with terms of reference. Also, the Board has approved a mission statement.

However, the Plan still needs to set out the qualifications for board members. As well, training plans and succession planning policies for board members and senior management should be documented.

Approving an appropriate delegation of authority

We expected the Plan to have:

- *documented its delegations of authority in accordance with legislation and plan arrangements*
- *documented its understandings of the roles and responsibilities with those who provide day-to-day administration for the plan*
- *contracts/agreements for outside professionals (e.g. actuaries, custodians, investment managers, asset consultants) setting out what those professionals can do and when*

The Plan does have contracts/agreements that specify their expectations for outside professionals. Work on a procedures manual has also commenced. However, the Plan has not documented its delegations of authority or its understandings of the roles and responsibilities of management.

Properly documenting Board decisions

We expected the Board to have clearly documented:

- *the Board's roles and responsibilities*
- *decisions regarding the investment of the pension plan's money*
- *a strategic plan including the pension plan's goals and objectives*
- *the key risks faced by the pension plan and its members and the key strategies to manage those risks*

Investment decisions are documented in the minutes of the Investment Committee. The Plan has also addressed some risks by drafting policies on Protection of Confidential Information and Privacy. Also, the Plan has appointed a privacy officer.

The Plan has not clearly documented the Board's roles and responsibilities, a strategic plan with goals and objectives, and the key risks and strategies to manage those risks.

Monitoring operations on an on-going basis

We expected the Board would:

- *have clearly set out its needs for regular reports from management and outside professionals*
- *receive and review regular, accurate, and timely reports from management and outside professionals*
- *ensure that the pension plan complies with the law*
- *have a written code of conduct for board members, management, and employees of the plan*
- *have governance self-assessments to ensure its processes continue to be effective*

At each meeting, the Board receives regular reports from management and outside professionals. The Plan continues to work on receiving reports to independently verify investment compliance. Also, it has adopted code of conduct and conflict of interest policies.

However, the Plan has not developed a list of all the reports the Board wishes to receive and when it wishes to receive them. The Plan also needs to develop a checklist to ensure it complies with the law. Also, the Plan needs to develop a process for Board governance self-assessment.

Approving an appropriate external communication policy

We expected the Board would have:

- *approved a written external communication policy including standards for preparing the plan's annual reports*
- *approved how to communicate with plan members and other stakeholders*
- *an appropriate process to educate and fully inform plan members when they bear the investment risk*

A communications policy has been drafted but not provided to the Board. Management expects the Board to review, revise, and approve the draft policy in 2005. The communications policy will include all three areas discussed above.

Recommendations

The Plan needs to improve its governance processes. While the Plan has taken some steps to improve its governance practices, more work is needed.

We continue to recommend that the Board:

- develop and implement strategic plans that include the goals and objectives of the Plan, a summary of the risks faced by the Plan and its members, and the key strategies to manage those risks
- clearly set out the specific responsibilities of the Board including a clear delegation of authority and an education plan for board members and management

- define and communicate the financial and operational information that the Board needs to oversee the Plan
- develop and implement written communication plans
- establish policies for periodic governance self-assessment

Management of the Plan has informed us that they have received support from the Board and CIC to ensure they have the necessary resources to complete the improvement of its governance processes in 2005.

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Saskatchewan Telecommunications Holding Corporation

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Main points

Saskatchewan Telecommunications Holding Corporation (SaskTel) is one of Saskatchewan's major Crown corporations. At December 31, 2004, SaskTel had assets of over $1,200 million, revenues over $900 million, and net income of $94.5 million.

SaskTel operates its business through many separate companies. Each of SaskTel's companies has its own board. To ensure SaskTel's success, it is critical these companies have a clear understanding who is responsible to whom and for what. In addition, it is important that SaskTel have sound processes to direct and manage each of these companies so that they fulfill their mandate and make good use of public resources – that is SaskTel must have good governance.

In 2004, we reported how well SaskTel governed its companies and made recommendations for improvement. In this chapter, we highlight progress SaskTel has made towards those two recommendations. SaskTel is improving its processes to communicate its governance expectations. It ensures the boards of the companies it owns and controls have terms of reference. Management advised us that it is introducing new processes for developing shareholder agreements and articles of incorporation to help ensure that owned and controlled companies are subject to the same governance expectations as SaskTel itself.

SaskTel is also improving its processes to assess the effectiveness of the companies' boards. It is ensuring that board and management evaluations take place. Management advised us it is also planning to address governance-related risks more specifically in information provided to the Board.

Introduction

Saskatchewan Telecommunications Holding Corporation (SaskTel) provides telephone, cell phone, internet, and e-business services. It provides these and other services, such as telephone directories and home security, through many different companies. At December 31, 2004, SaskTel owned all or part of 17 companies with active operations in the year. In addition, it owned 27 other companies with no active operations in the year.[1]

SaskTel has a complex corporate organizational structure. A complex corporate structure can make it hard to figure out who owns what and who is responsible for what. It can also create challenges for effective governance. Governance is the manner in which an organization directs, controls, and holds itself to account. With its many companies, SaskTel has multiple levels of governing bodies that it must oversee.

SaskTel, as a Crown corporation, must also comply with the laws and policies that apply to Crown corporations (and that apply as well to companies that SaskTel owns and controls). These include the requirements of Crown Investment Corporation of Saskatchewan (CIC) for governing owned and controlled companies.

Related companies and pension plans

At December 31, 2004, SaskTel owned the following companies with active operations (percentage of SaskTel's ownership is set out in parenthesis):

- Saskatchewan Telecommunications (100.0%)
- Saskatchewan Telecommunications International, Inc (100.0%)
- DirectWest Publishing Partnership (100.0%)
- SecurTek Monitoring Solutions Inc. (100.0%)
- Navigata Communications Partnership (96.3%)
- Business Watch International Inc. (95.2%)
- Hospitality Network Canada Inc. (94.1%)
- Saskatoon 2 Properties Limited Partnership (70.0%)

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[1] For ease of reference, we use the word company to include incorporated businesses and partnerships. For further detail, refer to the Notes to the December 31, 2004 Financial Statements contained in the SaskTel 2004 Annual Report.

In addition, SaskTel sponsors and administers the following defined benefit pension plans: Saskatchewan Telecommunications Pension Plan and Navigata Inc. Pension Plan.

For a full listing of the companies owned by SaskTel, refer to the notes to its audited financial statements. Each year, SaskTel tables its annual report including its audited consolidated financial statements and the audited financial statements of each of the above-listed companies and pension plans in the Legislative Assembly with the following exceptions. Crown Investments Corporation of Saskatchewan has exempted the tabling of the audited financial statements of Business Watch International Inc. and Hospitality Network Canada Inc. due to confidentiality clauses in the agreement for each with the minority shareholders. For additional information on SaskTel and its companies, see SaskTel's web site at http://www.sasktel.com.

Audit conclusions

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of SaskTel and the above-listed companies and pension plans. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see http://www.auditor.sk.ca/rrd.html).

In our opinion for the year ended December 31, 2004:

- **The financial statements of SaskTel and each of the above-listed companies and pension plans are reliable**
- **SaskTel and each of the above-listed companies and pension plans had adequate rules and procedures to safeguard public resources**
- **SaskTel and each of the above-listed companies and pension plans complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

In our 2004 Report – Volume 1, we reported on the adequacy of the processes of Saskatchewan Telecommunications Holding Corporation

(SaskTel) to govern the companies it owns and controls. We made two recommendations to improve these processes. In the following section, we describe management's actions to March 15, 2005 on these recommendations.

Status of previous governance recommendations

In Chapter 5 of our 2004 Report – Volume 1, we concluded that at November 30, 2003, SaskTel had adequate processes to govern companies it owns and controls except for the two recommendations set out in Exhibit 1.

Exhibit 1

To improve its processes to communicate governance expectations to companies it owns and controls, we recommend that SaskTel:

- ensure that the board of each company has current written terms of reference
- highlight, for example in corporate policy, that the SaskTel Board has delegated to the President of SaskTel its authority to name the board members of SaskTel's companies
- ensure that companies it controls, or plans to control, are subject to shareholder agreements and articles of incorporation that reflect the governance expectations placed on SaskTel

To improve how it assesses the effectiveness of the boards of companies it owns and controls, we recommend that SaskTel:

- document the governance risks and identify levels of governance risk that are acceptable for each company
- require each company board to evaluate its senior management
- require each company to provide the SaskTel Board with its evaluation of its board

Source: 2004 Report – Volume 1, p. 82-83.

At March 15, 2005, while SaskTel has made some progress, it has not yet fully implemented these recommendations. In the next section, we highlight SaskTel's progress in addressing these recommendations.

Progress in communicating governance expectations

SaskTel now ensures that the boards of the companies it owns and controls have current terms of reference. SaskTel alerts the boards of the companies to consider and approve terms of reference as well as other measures needed to comply with CIC's governance policy.

The terms of reference for the boards of its companies do not deal extensively with the relationship between the companies and SaskTel. SaskTel should consider whether the terms of reference could be an appropriate place to communicate its governance expectations (or, as indicated below, consider other documented ways to ensure consistent communication of its governance expectations).

In late 2004, SaskTel's Board amended the authority it had delegated to its Chief Executive Officer (CEO) to appoint members to the boards of the companies SaskTel owns and controls. The CEO must now obtain approval from the Board to appoint board members to companies it owns.

SaskTel continues to rely on its staff to ensure that shareholder agreements and articles of incorporation for subsidiaries reflect the governance expectations placed on SaskTel. Staff who prepare and evaluate these agreements also use language tested from past transactions. As with other agencies, SaskTel experiences turnover in staff. Relying primarily on institutional memory and the experience of staff means there is a higher risk of error when turnover takes place. Documented processes such as checklists or guidelines will better ensure SaskTel's governance expectations will flow through to the companies SaskTel owns and controls.

1. **To improve its processes to communicate governance expectations to companies it owns and controls, we continue to recommend that SaskTel:**

    - **regularly highlight where its Board delegates to the President of SaskTel authority to name board members of SaskTel's companies**

    - **ensure that companies it controls, or plans to control, are subject to shareholder agreements and articles of incorporation that reflect the governance expectations placed on SaskTel**

In April 2005, SaskTel management advised us that it plans to highlight the SaskTel Board's delegation of authority in the regular report it produces on the compliance of these companies with CIC's governance policies. It provides the Board with this report at least annually.

Management also advised us that it is introducing new processes for developing shareholder agreements and articles of incorporation for owned and controlled companies. SaskTel expects the new processes to help ensure that its owned and controlled companies are subject to the same governance expectations as SaskTel itself.

Progress in assessing board effectiveness

Although SaskTel has a process to assess risks, the process does not clearly set out risks related to governance. SaskTel management has advised us that they plan to include governance-related risks more specifically in information provided to the Board.

As noted above, SaskTel expects the boards of the companies that it owns and controls to comply with CIC's governance policy. The policy expects boards to evaluate their own performance and that of their CEOs. In 2004, SaskTel ensured its companies completed these evaluations.

At March 15, 2005, SaskTel's Board had not yet received the results of the boards' evaluations. Management told us that the Governance Committee would receive the evaluations at its next meeting. At this time, the Governance Committee's terms of reference do not reflect this responsibility. Management told us it will work with the Board to ensure the Governance Committee's terms of reference appropriately reflect the responsibility of reviewing these evaluations.

2. **To improve how it assesses the effectiveness of the boards of companies it owns and controls, we continue to recommend that SaskTel:**

    - **document the governance risks and identify levels of governance risk that are acceptable for each company**

    - **require each company to provide the SaskTel Board with its evaluation of its board**

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Information Services Corporation of Saskatchewan

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Main points

Information Services Corporation of Saskatchewan (ISC) needs to test its business continuity and disaster recovery plans in order to verify that it can promptly continue to deliver its services if key facilities and or computer systems are lost.

ISC strengthened its performance measurement and reporting processes but more work needs to be done. It needs to use its internal auditor to test its performance measuring systems and to verify key results.

Introduction

Saskatchewan's Information Services Corporation (ISC) is responsible for administering Saskatchewan's land titles, surveys, geographical information, and personal property registry.

In this chapter, we report on the results of our audit of ISC for the year ended December 31, 2004. We also report on ISC's progress in strengthening its performance measurement and reporting processes.

At December 31, 2004, ISC held assets of $50.2 million, had revenues for the year of $44.1 million, and expenses of $35.8 million. ISC's 2004 Annual Report includes its financial statements and is on its web site at http://www.isc-online.ca.

Background

In our 2003 audit of ISC, we audited ISC's Schedule of Performance Information (Balance Scorecard) for the year ended December 31, 2003. We audited the Schedule to follow up on our previous work for the Standing Committee of Crown Corporations and to follow up on the recommendations from our 2001 audit of the LAND Project.

The preparation and verification of performance information is a relatively new experience for government agencies. We noted that ISC was taking a lead in providing audited information for 2003 on its performance to legislators and the public. Our recommendations focused on strengthening ISC's performance measurement and reporting processes.

Relevant, accurate, and understandable performance information is essential. It results in informed decisions and effective governance and accountability. Boards, legislators, and the public require this kind of information.

Our audit conclusions and findings

Our Office worked with Deloitte & Touche LLP, ISC's appointed auditor, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see http://www.auditor.sk.ca/rrd.html). Deloitte & Touche LLP and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2004:

- **ISC's financial statements are reliable**
- **ISC had adequate rules and procedures to safeguard public resources except that ISC needs to test its business continuity and disaster recovery plans**
- **ISC complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

The detailed audit findings are presented below.

Business continuity and disaster recovery plans need testing

ISC needs to test its business continuity[1] and disaster recovery[2] plans in order to verify that it can promptly continue to deliver its services if key facilities and or computer systems are lost.

ISC delivers its services using several centralized facilities and complex computer systems. To help ensure that it can continue to deliver these services in the event of a disaster, ISC has prepared detailed business continuity and disaster recovery plans. ISC's Board has set 72 hours as the benchmark for the recovery of its critical services.

As at December 31, 2004, ISC has not tested its business continuity and disaster recovery plans. As a result, it does not know if these plans are complete, if staff have adequate training to carryout these plans, and if it can recover its critical services within 72 hours of a disaster.

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[1] **Business Continuity Plan** – Plans by an agency to respond to unforeseen incidents, accidents, or disasters that could affect normal operations of an agency's critical operations or functions.

[2] **Disaster Recovery Plan** (DRP) - Plans by an agency to respond to unforeseen incidents, accidents, or disasters that could affect normal operations of a computerized system (also known as **Contingency Plan**). A DRP or contingency plan is only one component of a Business Continuity Plan.

1. **We recommend that Information Services Corporation test its business continuity and disaster recovery plans.**

ISC advised us that it tested its disaster recovery plan in March 2005 and it intends to begin testing its business continuity plan in 2005. We will assess the adequacy of this work and report the results in our 2006 Report – Volume 1.

Follow-up of 2004 recommendations

In our 2004 Report – Volume 1, we reported that ISC should improve its performance measurement and reporting systems. This finding resulted from our audit of ISC's Schedule of Performance Information (Balance Scorecard) for the year ended December 31, 2003.

We made three recommendations.

1. We recommended that ISC:
    - clearly define, document, and communicate its performance measures to staff involved in collecting, processing, and reporting the performance information
    - set quantified performance targets and establish systems to collect, process, and report the performance information early in the reporting process.

2. We recommended that ISC introduce new performance measures and targets to replace outdated ones.

3. We recommended that ISC use its internal auditor to review the performance measuring systems and verify the results.

We followed up on these recommendations as part of our 2004 audit of ISC. We found that ISC had implemented recommendations one and two and that it had partially implemented recommendation three.

We continue to recommend that ISC use its internal auditor to review its performance measuring systems and to verify the results.

ISC advised us that its 2005 internal audit plan would include testing of its performance measuring systems and the verification of key results.

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Standing Committee on Crown and Central Agencies

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Main points

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central agencies, liquor, gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews significant transactions made by these corporations. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews chapters of our reports concerning CIC and its related corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. In the Exhibit, we set out the status of the Committee's eight recommendations that are not yet implemented.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown and Central Agencies. We describe what the Committee does, how it is structured, and how it works. We discuss the importance of the Committee's deliberations and recommendations. We also highlight some of its recent activities. In the Exhibit, we set out the status of the Committee's outstanding recommendations.

Overview of Committee's role and responsibilities

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. Policy field committees are responsible for examining various documents referred to it by the Assembly. These documents include bills and regulations (proposed laws), annual budget Estimates, and annual reports. Policy field committees can also conduct inquiries into matters within their mandate.

This Committee's mandate is to consider matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central agencies, liquor, gaming, and all other revenue-related agencies and entities. At the beginning of each Legislature, the Legislative Assembly appoints the members of the Committee.

The Committee focuses on corporations that receive revenues from sources other than the General Revenue Fund. During its review, the Committee can inquire about issues of current concern, future objectives, and past performance. Because of the magnitude of financial activity that the Government manages through CIC and its corporations, the Committee has an important role. It helps the Assembly hold the Government accountable for its management of these corporations.

The Assembly refers the annual reports and financial statements of CIC and its corporations to the Committee. The Committee uses these reports to review the corporations' operations. In addition, the Assembly refers the Provincial Auditor's reports (or parts of the reports) that relate to CIC and its corporations to the Committee.

The Committee also requires CIC and its corporations to submit reports of their significant transactions. Significant transactions are defined as those that are material in amount and outside the ordinary course of business, or are judged by the Crown corporation to be sensitive and likely of interest to legislators and the public. These reports describe the transaction, the objectives of the transaction, its financial implications, and the authority for the transaction. Because Crown corporations must submit these reports within 90 days after the transaction, the Committee can review them on a timely basis.

Our Office attends meetings of the Committee to help it in its reviews. The Committee also invites each corporation's appointed auditor to help the Committee in its review.

Crown corporation officials and the Minister responsible for the corporation attend the Committee's meetings. They answer questions about their corporation's financial results, plans and priorities, significant transactions, and related chapters in our reports. Periodically, the Committee formally reports its findings and recommendations to the Assembly.

The Committee's meetings are open to the public. Information about the composition of the Committee, as well as records of the Committee's meetings (i.e., Hansard verbatim, minutes, videos, and reports) are available on the Committee's web site (part of the Assembly's web site – http://www.legassembly.sk.ca/committees/).

As with the Standing Committee on Public Accounts, this Committee's discussions and recommendations to the Assembly result in a more open and accountable Government and in better management of Government operations. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources. The work of the Committee also contributes to the public's confidence in our system of government.

Members of the Committee

The following members served on the Committee during 2004-05:

- Graham Addley, Chair
- Wayne Elhard, Deputy-Chair (to March 18, 2005)
- Dan D'Autremont, Deputy-Chair (from April 7, 2005)
- Doreen Eagles (from March 18, 2005)
- Andy Iwanchuk
- Allan Kerpan (from March 18, 2005)
- Warren McCall
- Maynard Sonntag (to November 30, 2004)
- Mark Wartman (from November 30, 2004)
- Randy Weekes (to March 18, 2005)

Committee activities

During 2004-05, the Committee met 17 times. In addition to its other responsibilities, the Committee reviewed the following 2003 annual reports:

- Crown Investments Corporation of Saskatchewan
- Saskatchewan Government Insurance
- Saskatchewan Power Corporation
- Saskatchewan Telecommunications
- SaskEnergy Incorporated
- Investment Saskatchewan Inc.

In addition, it considered Chapter 7 of our 2004 Report – Volume 1 related to CIC. The Committee did not issue any reports during the year concerning its review of annual reports.

Status of recommendations

The Committee's reports (and those of the predecessor Standing Committee on Crown Corporations) contain recommendations, some of which take more than one year to implement. Each year, we follow up and report on the status of those recommendations. In the Exhibit, we list eight recommendations that the Government has not yet fully implemented as at December 31, 2004. Since the last time we did a status review (see our 2004 Report – Volume 1, Chapter 8), one new item has been added and one previous item has been removed due to its implementation.

We classify the outstanding recommendations as follows:

1. **Committee concurs** – These are our Office's recommendations that the Committee supports, agrees, or concurs with. The Committee does not expect a formal response from the Government but does expect the Government comply with the recommendations. In the Exhibit, these recommendations are identified by a non-bold number (e.g., 4.1) preceding them. The non-bold numbers reflect the chapter and recommendation number of our related report.

2. **Committee recommends** – These are the Committee's recommendations. The Committee expects an official response or action by the Government. In the exhibit, these recommendations are identified by a bold number (e.g., **1**.) preceding them.

3. **Committee considered** – These are our Office's recommendations. The Committee has deferred them for future consideration (e.g., pending the presentation of additional information) or has made its own recommendation on the matter.

For each outstanding recommendation, we assess the status of the recommendation and indicate whether it is not implemented or partially implemented using the following criteria:

Not implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

Partially implemented – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

Future direction

Increasingly, the Committee's discussions focus on broader issues pertaining to Crown corporations, including strategic plans, key risks to achieving goals and objectives, and performance measurement. We congratulate the Committee for fostering a more open and accountable Government and better management of Government operations. We encourage the implementation of the Committee's recommendations.

Exhibit—Outstanding recommendations

Report Year	Outstanding Recommendation	Status
Third Report of the 3rd Session of the 24th Legislature – tabled December 9, 2002		
2001 Spring	The Committee considered: 11.1 The Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary.	**Not implemented.** Legislative amendments have not been made. In October 2004, the Government established a policy requiring CIC and its Crown corporations to get Order in Council approval before purchasing or selling real property through a wholly owned subsidiary. The Committee asked CIC to review its procedures and report on the pros and cons of changing the legislation in the context of a commercial environment. Further consideration has been deferred as the Committee has not yet received a response to its request.
2001 Spring	The Committee concurs: 11.4 The Government should change current laws to: - require subsidiaries of Crown corporations to obtain an Order in Council before purchasing shares; and - require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date.	**Not implemented.** Legislative amendments have not been made.

Report Year	Outstanding Recommendation	Status
2002 Spring	The Committee concurs: 1.2 SaskPower should establish policies to support a long-term continuous process improvement plan that includes training and support plans for its employees.	**Partially implemented.** SaskPower has begun to implement the policies and strategies it established to promote a process improvement plan.
2002 Spring	The Committee concurs: 1.3 SaskPower should provide its Board of Directors with independent advice on benefit targets and measures, the effectiveness of the new work processes, and on the reliability of key reports.	**Partially implemented.** SaskPower got an independent assessment of the processes, benefit targets, and measures in Power Production. As at March 2005, it is in the process of obtaining a similar assessment for Transmission and Distribution.
2002 3rd Report	The Committee recommends: **1.** The Provincial Government consider the recommendation on page 35 of the Dillon Consulting Ltd. report to the Saskatchewan Rate Review Panel. [Dillon suggested that SaskPower consider treating SaskPower International (SPI) as a fully cost-accounted, non-regulated company. Otherwise, SaskPower's ratepayers will be at risk to cover the potential costs of SPI's investments, due to SPI's forecasted losses.]	**Not implemented.** The Committee has not yet received a response from the Government concerning the implementation of this recommendation.
2002 3rd Report	The Committee recommends: **2**. SaskPower undertake a careful and thoughtful analysis of the rapidly changing electrical utility regulatory regimes of other North American jurisdictions, their applicability to SaskPower, its subsidiaries, and its activities in order to minimize risks to SaskPower ratepayers and remove the potential for investment losses by SPI (SaskPower International) therefore putting upward pressure on the rates of SaskPower customers.	**Not implemented.** The Committee has not yet received a response from the Government concerning the implementation of this recommendation.

Report Year	Outstanding Recommendation	Status
2002 3rd Report	The Committee recommends: **3**. The Provincial Government update the fair wages clause included in Crown corporation tenders per Order in Council No. 301/44, March 23, 1944.	**Not implemented.** As at March 2005, CIC reports that it is in the process of reviewing this recommendation.
Committee Minute No. 10 – September 17, 2004		
2004 Spring	The Committee concurs: 7.1 CIC should review the limits over which CIC and its subsidiaries must get Order in Council approval to buy and sell real property, either directly or through a subsidiary, and CIC should seek legal changes where appropriate.	**Not implemented.** As at March 2005, CIC reports that it is in the process of reviewing this recommendation; CIC expects to complete a review of the limits by the end of 2005.

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Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4;
2001, c.32, s.3.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s 9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Office.

2001, c.32, s.13

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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Appendix 2

List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies subject to audit examination under *The Provincial Auditor Act* at December 31, 2004.

This Appendix includes the status of those audits at March 31, 2005. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure that we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2004 Rpt V2
Departments and Secretariats:			
Department of Agriculture, Food and Rural Revitalization	March 31	Complete	Yes/2004 Rpt V3
Department of Community Resources and Employment	March 31	Complete	Yes/2004 Rpt V3 & 2005 Rpt V1
Department of Corrections and Public Safety	March 31	Complete	No
Department of Culture, Youth and Recreation	March 31	Complete	Yes/2004 Rpt V3
Department of Environment	March 31	Complete	Yes/2004 Rpt V3 & 2005 Rpt V1
Department of Finance	March 31	Complete	Yes/2004 Rpt V2 & V3
Department of First Nations and Métis Relations	March 31	Note 5	
Department of Government Relations	March 31	Note 5	
Department of Government Relations and Aboriginal Affairs	September 30	Complete	Yes/2005 Rpt V1
Department of Health	March 31	Complete	Yes/2004Rpt V3 & 2005 Rpt V1
Department of Highways and Transportation	March 31	Complete	Yes/2004 Rpt V3
Department of Industry and Resources	March 31	Complete	Yes/2004 Rpt V3, 2005 Rpt V1 & Note 3
Department of Justice	March 31	Complete	Yes/2004 Rpt V3 & 2005 V1
Department of Labour	March 31	Complete	Yes/2004 Rpt V3
Department of Learning	March 31	Complete	Yes/2004 Rpt V3 & 2005 Rpt V1
Department of Northern Affairs	March 31	Complete	Yes/2004 Rpt V3
Executive Council	March 31	Complete	No
Information Technology Office	March 31	Complete	No
Crown agencies:			
101000606 Saskatchewan Ltd.	December 31	Note 2	
101000607 Saskatchewan Ltd.	December 31	Note 2	
101005716 Saskatchewan Ltd.	December 31	Complete	No
101027596 Saskatchewan Ltd.	December 31	Complete	No
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
3339807 Canada Ltd.	December 31	Note 2	
3364381 Canada Ltd.	December 31	Note 2	

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
610277 Saskatchewan Ltd.	December 31	Complete	No
617275 Saskatchewan Ltd.	December 31	Complete	No
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 2	
Battleford International, Inc.	December 31	Note 2	
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Board of Governors, Uranium City Hospital	March 31	Delayed	Yes/2004 Rpt V3
Business Watch International Inc.	December 31	Complete	No
Business Watch International (US) Inc.	December 31	Note 2	
Carlton Trail Regional College	June 30	Rotational	
Chicken Farmers of Saskatchewan	December 31	Note 1	
CIC Foods Inc.	December 31	Complete	No
CIC FTLP Holdings Inc.	December 31	Complete	No
CIC FTMI Holdings Inc.	December 31	Complete	No
CIC OSB Products Inc.	December 31	Complete	No
CIC Pulp Ltd.	December 31	Complete	No
CIC PVF Holdings Inc.	December 31	Complete	No
CIC Swine Genetics Holdings Inc.	December 31	Delayed	
CIC Swine Genetics Inc.	December 31	Delayed	
CIC Swine Genetics (NL) B.V.	December 31	Delayed	
CIC WLSVF Holdings Inc.	December 31	Complete	No
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	Yes/2004 Rpt V3
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2004 Rpt V3 & 2005 Rpt V1
Cumberland Regional College	June 30	Rotational	
Cypress Hills Regional College	June 30	Complete	Yes/2004 Rpt V3
Cypress Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
DirectWest Publishing Partnership	December 31	Complete	No
Education Infrastructure Financing Corporation	August 17	Complete	No
Esterhazy Holding, Inc.	December 31	Note 2	
First Nations Fund	March 31	Denied Access	
Five Hills Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Government House Foundation	March 31	Complete	No
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3

Appendix 2

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 2	
Hospitality Network Canada Inc.	December 31	Complete	No
Hospitality Network Canada Partnership	December 31	Note 2	
Information Services Corporation of Saskatchewan	December 31	Complete	Yes/2005 Rpt V1
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Inc.	December 31	Complete	No
Investment Saskatchewan Swine Inc. (formerly Genex Swine Group Inc.)	September 30	Complete	No
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2004 Rpt V3 & Note 4
Liquor Board Superannuation Commission, The	December 31	Complete	No
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Inc. Pension Plan	December 31	Complete	No
Navigata Communications Ltd. (formerly Pleasantdale Holding, Inc.)	December 31	Note 2	
Navigata Communications Partnership	December 31	Complete	No
Navigata Holding CCIV, Inc. (formerly Dundurn Holding, Inc.)	December 31	Note 2	
Nokomis Holding (U.S.), Inc.	December 31	Note 2	
North West Regional College	June 30	Complete	Yes/2004 Rpt V3
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	Yes/2004 Rpt V3
Parkland Regional College	June 30	Rotational	
PCF Investments Ltd.	December 31	Complete	No

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
Power Corporation Superannuation Plan	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Prairie West Regional College	June 30	Complete	Yes/2004 Rpt V3
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Public Employees Pension Plan	March 31	Complete	No
Public Service Commission	March 31	Complete	Yes/2005 Rpt V1
Public Service Superannuation Board	March 31	Complete	Yes/2004 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 2	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Sask Pork	July 31	Complete	No
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31	Note 1	
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31	Note 1	
Saskatchewan Cancer Foundation	March 31	Complete	No
Saskatchewan Canola Development Commission	July 31	Complete	No
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan Egg Producers	December 31	Note 1	
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Flax Development Commission	July 31	Note 1	
Saskatchewan Gaming Corporation	March 31	Complete	No
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2005 Rpt V1
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Mustard Development Commission	July 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2004 Rpt V3 & 2005 V1
Saskatchewan Property Management Corporation	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Pulse Crop Development Board	August 31	Note 1	
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Sheep Development Board	September 30	Note 1	
Saskatchewan Telecommunications	December 31	Complete	Yes/2004 Rpt V3 & 2005 V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2004 Rpt V3 & 2005 Rpt V1

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	Yes/2004 Rpt V3 & 2005 V1
Saskatchewan Turkey Producers' Marketing Board	December 31	Note 1	
Saskatchewan Valley Potato Corporation	December 31	Complete	No
Saskatchewan Water Corporation	December 31	Complete	No
Saskatchewan Watershed Authority	March 31	Complete	Yes/2005 Rpt V1
Saskatoon 2 Management Ltd.	December 31	Note 2	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	Yes/2004 Rpt V3 & 2005 V1
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	No
SaskTel Holding (Australia), Inc.	December 31	Note 2	
SaskTel Holding (New Zealand) Inc.	December 31	Note 2	
SaskTel Holding (U.K.) Inc.	December 31	Note 2	
SaskTel International Consulting, Inc.	December 31	Note 2	
SaskTel International (Tanzania) Ltd.	December 31	Note 2	
SaskTel Investments Inc.	December 31	Note 2	
SaskTel New Media Fund Inc.	December 31	Note 2	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 2	
Southeast Regional College	June 30	Rotational	
St. Louis Alcoholism Rehabilitation Centre Inc.	March 31	Complete	No
STI Communications Pty Limited	December 31	Note 2	
Sun Country Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
Teachers' Superannuation Commission	June 30	Complete	No
TecMark International Commercialization Inc.	March 31	Complete	No
TransGas Limited	December 31	Complete	Yes/2004 Rpt V3 & 2005 V1
Unity Holding, Inc.	December 31	Note 2	
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 2	
Wadena Holding, Inc.	December 31	Note 2	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2005 Rpt V1
Workers' Compensation Board Superannuation Plan	December 31	Complete	Yes/2005 Rpt V1
WTC Investments Ltd.	December 31	Complete	No
Xavier Holding, Inc.	December 31	Note 2	
Yellowgrass Holding, Inc	December 31	Note 2	
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	Yes/2005 Rpt V1
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	Yes/2004 Rpt V3
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Correspondence School Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Department of Community Resources and Employment Central Trust Account	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fiscal Stabilization Fund	March 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	Yes/2004 Rpt V3
Forest Fire Contingency Fund	March 31	Complete	No
General Revenue Fund	March 31	Complete	Yes/2004 Rpt V3

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
Horned Cattle Fund	March 31	Complete	Yes/2004 Rpt V3
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Livestock Services Revolving Fund	March 31	Complete	No
Northern Revenue Sharing Trust Account	December 31	Delayed	Yes/2005 Rpt V1
Office of the Rentalsman--Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2004 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2004 Rpt V3
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Delayed	
Public Employees Group Life Insurance Fund	December 31	Complete	Yes/2005 Rpt V1
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Resource Protection and Development Revolving Fund	March 31	Complete	Yes/2004 Rpt V3
SAHO Core Dental Plan Fund	December 31	Delayed	
SAHO Disability Income Plan – CUPE Fund	December 31	Delayed	
SAHO Disability Income Plan – SEIU Fund	December 31	Delayed	
SAHO Disability Income Plan – General Fund	December 31	Delayed	
SAHO Disability Income Plan – SUN Fund	December 31	Delayed	
SAHO In-scope Extended Health/ Enhanced Dental Fund	December 31	Delayed	
SAHO Out-of-scope Extended Health/ Enhanced Dental Fund	December 31	Delayed	
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Chicken Industry Development Fund	December 31	Note 1	

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
Saskatchewan Chicken Industry Investment Fund	December 31	Note 1	
Saskatchewan Chicken Marketing Plan Trust Fund	December 31	Note 1	
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Legal Aid Endowment Fund Trust	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Pre-1996 Severance Plan	December 31	Delayed	
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Note 5	
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
SGI Service Recognition Plan	December 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Trust Accounts at Court House, Local Registrars and Sheriff's Offices	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2004 Rpt V3
Chief Electoral Office	March 31	Complete	Yes/2004 Rpt V3
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No

Agency	Year end on or before December 31, 2004	Status at March 31, 2005[1]	Significant issues reported[2]
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
Saskatchewan Population Health Evaluation and Research Unit, Inc.	April 30	Note 5	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina Pension Plan for Eligible Part-Time Employees	October 4	Complete	No
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan Clinicians' Service-Side Pension Plan	April 30	Complete	No
University of Saskatchewan, The	April 30	Complete	No

Note 1: We audit these agencies in a different way.

In 1999, the Department of Agriculture, Food and Rural Revitalization and our Office agreed that the most efficient way for our Office to examine these smaller agricultural marketing and development agencies would be to work through the Agricultural and Food Products Development and Marketing Council. As part of our audit of the Department, we examine the supervisory work carried out by the Council regarding the financial statements of these agencies and the rules and procedures to safeguard public resources and to comply with legislative authorities.

Note 2: These entities are wholly or partially-owned subsidiaries of Saskatchewan Telecommunications Holding Corporation (Corporation). They are included in the consolidated financial statements of the Corporation. For the year ending December 31, 2004, these entities did not carry out active operations.

Note 3: For 2004, the Department continued to make payments to NewGrade Energy Inc. that were without authority. Our 2001 Fall Report – Volume 2, Chapter 16, contains further information on this matter.

Note 4: For 2003-04, Liquor and Gaming Authority made payments totalling $229,000 towards promoting casinos that were without authority. Our 2003 Report – Volume 3 contains further information on this matter.

Note 5: These agencies were created or became a Crown agency after March 31, 2004. For these agencies, March 31, 2005 is their first year-end. The status of the audits of these agencies will be provided in future reports.

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[1] "Complete" – the audit was complete at March 31, 2005.
"Delayed" – the audit was delayed.
"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at March 31, 2005 as "Complete". We list the other entities as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

[2] "No" - no significant issues were reported.

"Yes/2004 Rpt V2" – significant issues were reported in our 2004 Report – Volume 2.
"Yes/2004 Rpt V3" – significant issues were reported in our 2004 Report –Volume 3.
"Yes/2005 Rpt V1" – significant issues are reported in our 2005 Report – Volume 1.

Appendix 3

Samples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- the adequacy of the Government's management of public resources
- the Government's compliance with legislative authorities
- the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Appendix 3

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

In my opinion, [Crown Agency X]'s control was effective, in all significant respects, related to the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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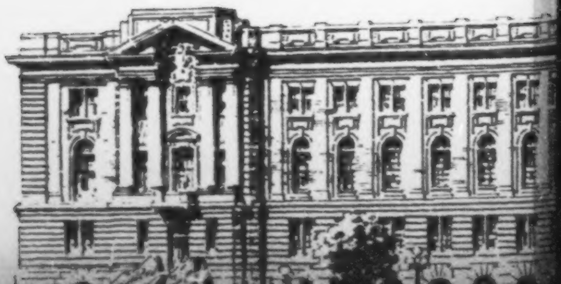This page left blank intentionally.